TABLE OF CONTENTS

ABSTRACT

Smart Simulation Partial Equilibrium Methodology was employed inthis study to determine Effects of Economic Partnership Agreements onAgricultural trade between small and large ECOWAS economies and the EU.Specifically, the study looked at the patterns of imports of sample of twoECOWAS countries the Gambia and Nigeria; the potential trade effects on theselected countries embarking on free trade under economic partnership agreementscenario; the potential revenue effects on the selected countries under thesame platform; the potential welfare effects on the selected countries underthe same platform; the sensitive products based on source and volume of importcriteria. WITS provided access to international trade and protection relateddata and offered built-in-analytical tools for the study. Results of theanalysis on patterns of import of the selected ECOWAS countries showed that theGambia's highest ($62158.328 million) proportion of imports came from ROW,followed by imports from the EU ($ 13071.561 million) and least ($1372.053million) imports from ECOWAS region. However, it was observed that the highest($28493.34 million) product group imported by the Gambia was product group 10(cereals) at 45.840% from ROW. The results on patterns of agricultural importsof Nigeria showed that Nigeria's highest ($1817981.912 million) imports onagricultural products came from ROW; followed by imports from EU ($982718.781million) and least ($45635.089 million) imports from ECOWAS region. It wasfurther observed that product group 10(cereals) was the highest($699,878.321million) product group Nigeria imports which came from ROW at38.50%. Result on Potential Trade Effect of EPAs between economies of ECOWAScountries studied and the EU, showed that the EU beneficiary countries (ECOWAS)were seen to gain $35926.855 million in "Trade Creation" and $15081.5191million in "Trade Diversion", while Total Trade Effect amounts to $20845.0309million in Product groups studied as obtained from SMART Simulation PartialEquilibrium 2014. Result on Potential Revenue Effect of the two sample ECOWAScountries going into EPAs, showed total likely revenue losses (-$17223.665million) for the two sampled countries on the product groupsstudied, with Nigeria recording higher (-$16666.638 million) loss and Gambiarecording least (-$557.027). Result on Potential welfare effect of EPAsbetween the economies of ECOWAS countries studied and EU

showed likely welfaregain ($2326.905 million) for the consumers in all the agricultural productsstudied. With Nigeria recording higher welfare gain ($2238.793million) than theGambia ($88.112 million) in all the product groups studied. Result on sensitiveproducts based on source and volume import criteria, showed that product group3, 4 and 15 were identified to contain the potential sensitive products for theECOWAS countries studied and should be exempted from EPAs as identified by thestudy. Base on the findings of this study, the following recommendations weremade: The trade effect showed that ECOWAS countries are likely to recordgreater trade creation effect than trade diversion effect in favour ECOWAScountries. The on-going Economic partnership Agreements (EPAs) negotiationsbetween ECOWAS and the EU need to be concluded and implemented based on thisground but measures should be taken to guide the infant industries to protectthem from fazing off from production due to cheaper goods flooding ECOWASmarkets from EU market.There is need for fiscal reforms to replace EPAs inducedtariff revenue losses. The fiscal reforms should entail shifting revenue fromtrade to non-trade tax sources and improving the efficiency of fiscal revenuecollecting policies. Examples of non-tariff instruments that may assume greaterimportance in revenue generation include value-added tax (VAT) and excise taxescharged on imports from the EU. If ECOWAS countries can adapt thismeasure, EPAs should be signed since the lost revenue can be reclaimed viathese means. Agricultural product groups 3, 4 and 15 should be the likelysensitive products for the ECOWAS countries and should be exempted from EPAs asidentified in this study.

CHAPTER ONE

INTRODUCTION

1. BACKGROUNDOF THE STUDY

The Economic Partnership Agreements (EPAs) betweenEconomicCommunity of West African States (ECOWAS) and the European Union (EU) are aimedat promoting trade between the two groupings. The expectations are that throughtrade deepened integration, development in addition to sustainable growth andpoverty reduction would evolve in ECOWAS sub region. The EPAs are set out tohelp West African countries integrate and as well into the world economy andshare in the opportunities offered within and outside the sub-region byglobalization. Also, it hopes to provide scope for wide-ranging tradeco-operation on areas such that services, and standards acting as drivers ofchange to kick-start reform and help to strengthen rule of law in the economicfield, thereby attracting foreign direct investment (FDI), to help create a“virtuous circle” of growth (ECOWAS StatisticalBulletin,2013).

However, with the exception of about 15 Caribbean statesthat signed a regional economic partnership agreement (EPA), negotiations withall the other countries have continued. To preserve their access to the EUmarket after 2007, about 20 countries concluded interim trade agreements. Thislight version of the original EPAs has not put an end to the negotiations assome of these countries would like to see the terms of the trade agreementrevised, or their scope extended, and concluded at regional levels, to preservetheir regional integration process (ECDPM, 2012). In this regards, one wondershow Ivory Coast and Ghana each could have a bilateral free trade agreement withthe EU. This is because opening their domestic market to European products,while their West African partners, with whom they form a customs union, keepprotecting their market from the EU would, very logical lead to EU goodsflooding the whole regional markets via these two countries, rendering the WestAfrican customs union and further integration process totally ineffective. Thisscenario which seems to be unique to West Africa is the same in several otherAfrican regions (Stevens, 2006).

Recently, Europe threatened to withdraw the special tradepreferences by 2014 to countries not showing commitment to proceed with theirinterim EPA. Europe’s objective hopefully is to press for the conclusion ofbroader trade deals at regional level that would replace these awkward andcontroversial interim EPAs. In an apparently generous move, the Europeanparliament’s trade committee called on decision-makers to extend this deadlineto 2016. The identification of regionally traded products in a bid tosustaining them through joint and diversified action plan by the region is verynecessary in aiding the negotiations through listing of products where tradeexist among ECOWAS for which the EU are suppliers. These should be exemptedfrom tariff removal (McKay, Milner & Morrissey, 2005).

EPAs date back to the signing of Cotonou Agreements in 2000 andare “tailor-made” to suit specific regional circumstances. In 2002 when the EUopened free trade negotiation with 78 African, Caribbean and Pacificcountries, it promised to go beyond conventional free-trade agreements,focusing on ECOWAS among other ACP countries’ development and taking intoaccount their socio-economic circumstances included co-operation and assistanceto aid ECOWAS implement the Agreements. The opening up of the EU markets fullyand immediately (unilaterally by the EU since 1st January 2008), and allowingECOWAS 15 to 25 years to open up to EU imports while providing protection forthe sensitive 20% of imports are also major aspects of EPAs (Busse &Grossman ,2007).

However, Chris, Morrissey and Evious (2008) stated that the introduction ofreciprocity under an EPA will tend to threaten intra-regional trade in ECOWASregion for a number of reasons. There is a direct displacement threat to thetraded products existing among regional suppliers by the elimination of theexternal tariff protection vis-a-vis European exporters. There is also anindirect threat associated with the displacement of domestic production byEuropean exporters in domestic markets, which may thereby reduce regionalproduction capacity and future prospects for intra-regional exporting. Thesethreats to ECOWAS regional trade development can be offset in a number of ways.Most obviously, as negotiations allow for the exclusion of sensitive productsand for phased introduction of the tariff reductions, ECOWAS regions in generalmay benefit by treating products traded within

the region as sensitive forEPAs, hence avoiding or postponing any reductions on tariffs on imports fromthe EU. If EPAs promote increased ECOWAS exports to the EU there is potentialto benefit from spill-over (Onogwu, & Arene, 2013).
The results reported and discussed in many studies are based ona number of *ex ante* studies of the trade effects of EPAs onvarious ACP groupings or countries undertaken by the authors thus: – McKay,Milner and Morrissey (2005) analyzed the welfare impacts on the East AfricanCommunity (EAC);Greenaway and Milner (2006) covered CARICOM and Milner,Morrissey and Zgovu (2008) considered aspects of impact and adjustment costsfor the EAC and. Morrissey and Zgovu (2011) focused on agriculture and totalrespective imports for a large sample of ECOWAS countries to compare thewelfare effects of a full liberalization with a scenario that excluded productstraded intra-regionally. These studies measured the regional trade displacementeffects of the liberalization of tariffs on imports from the EU given theirareas of study.

By far, one of the studies closer to this research intention wasthe study by Busse, et al (2004). Though their study was on' agriculturalproducts it was silent over trade classification and product details. Again,their study was silent at product sections levels hence on the listing ofproducts traded among ECOWAS member nations within the region for which EU aresuppliers (sensitive products) requiring sustenance. This can be used as astrong bargaining factor in EPAs between ECOWAS and the EU. Besides, otherauthors have not, however, explored in many details the associated trade,tariff revenue and welfare effects of EPAs on neither intra-ECOWAS trade,nor have they explicitly considered the source and volume of imports of tradedproducts as a measure for sensitive products listing and criterion in designinga reduction of adverse intra-ECOWAS trade development effects. Thisproposalaims at filling these gaps.

EFFECTS OF ECONOMIC PARTNERSHIP AGREEMENTS ON AGRICULTURAL TRADE BETWEEN SMALL AND LARGE ECOWAS ECONOMIES AND THE EU