

PDF - EFFECTS OF ECONOMIC PARTNERSHIP AGREEMENTS ON AGRICULTURAL TRADE
BETWEEN SMALL AND LARGE ECOWAS ECONOMIES AND THE EU - researchcub.info**TABLE OF
CONTENTS**

Titlepage	i
Certification	ii
Dedication	iii
Acknowledgment	iv
Table of contents	v
List of tables	vii
List of figures	viii
Abstract	ix

CHAPTER ONE:INTRODUCTION **1**

1.1	Background of theStudy	1
1.2	ProblemStatement	5
1.3	Objectives of theStudy	7
1.4	StudyHypotheses	7
1.5	Justification of theStudy	7
1.6	Limitations of theStudy	8

CHAPTER TWO: LITERATUREREVIEW **9**

2.1	The Status of EconomicPartnership Agreements (EPAs) Negotiations	9
2.2	Trade Effects (Creation orDiversio	10
2.3	RevenueEffects	13
2.4	Welfare Effects	14
2.5	ECOWAS Regional Blockand TradePolicies	16
2.6	Importance of InternationalAgriculturalTrade	18
2.7	EmpiricalLiterature	19
2.8	TheoreticalFramework	22
2.8.1	Heckscher–Ohlin theorem(HO)	23
2.9	AnalyticalFramework	24
2.9.1	Smart Model for Partial EquilibriumSimulation Analysis	27

CHAPTER THREE: RESEARCHMETHODOLOGY **32**

3.1	The Study Area	32
3.2	Sampling Procedure	33
3.3	Data Collection	33
3.4	DataAnalysis	34
3.4.1	Model Specification for Objective2	34
3.4.2	Model Specification for Objective3	36
3.4.3	Model Specification for Objective 4	37

CHAPTER FOUR: RESULTS AND DISCUSSION	38
4.1 Patterns of Imports of Sample of small and large economies of ECOWAS Countries (the Gambia and Nigeria).	39
4.2: Potential trade effect of EPAs between ECOWAS (the Gambia and Nigeria) and EU on Agricultural products.	41
4.3: Potential Revenue Effect of EPAs between ECOWAS (The Gambia and Nigeria) and the EU	44
4.4: Potential Welfare Effect of EPAs between ECOWAS (The Gambia and Nigeria) and the EU	46
4.5 Agricultural Sensitive Products for the Selected Small and Large ECOWAS Economies (the Gambia and Nigeria).	48
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND POLICY IMPLICATIONS	50
5.1 Summary	50
5.2 Conclusion	51
5.3 Recommendations	53
5.4 Contributions to Knowledge	53
5.5 Areas for Future Research	54
REFERENCES	55
APPENDIX	62
LIST OF TABLES	
4.1: Patterns of Agricultural Imports of the Gambia	39
4.2: Patterns of Agricultural Imports of Nigeria	40
4.3: Potential trade effect of EPAs between ECOWAS (the Gambia and Nigeria) and EU on Agricultural Products	42
4.4: Potential Revenue Effect of EPAs between ECOWAS (The Gambia and Nigeria) and the EU	45
4.5: Potential Welfare Effect of EPAs between ECOWAS (The Gambia and Nigeria) and the EU on Agricultural Products	47
LIST OF FIGURES	
1.1: Intra-ECOWAS trade (as % of total exports and imports) (Extracted from ITC (Trade map), 2014)	4
1.2: ECOWAS trade with other regions (Extracted from ITC (Trade map), 2014)	4
2.1: Diagram showing effects of trade creation (Author's design, 2014)	11
2.2: Diagram showing effects of trade diversion (Author's design 2014)	13
2.3: illustrating the impact of reciprocity in an EPA	26
4.1: Potential Trade Effects of the Gambia on EPAs with EU on Agricultural Products	

using 2010 as base line(Author`s design from SMART,2014)	43
4.2: Potential Trade Effects of Nigeriaon EPAs with EU on Agricultural Products (Author`s design from SMART,2014)	44
4.3: Potential Revenue Effects of EPAsbetween ECOWAS (The Gambia and Nigeria) and the EU on Agricultural products(Author`s design from SMART,2014)	46
4.4: Potential Welfare Effect of EPAsbetween ECOWAS (The Gambia and Nigeria) and the EU on Agricultural Products(Author`s design from SMART,2014)	48

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 agreementsscenario; 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 welfare gain (\$2326.905 million) for the consumers in all the agricultural products studied. With Nigeria recording higher welfare gain (\$2238.793 million) than the Gambia (\$88.112 million) in all the product groups studied. Result on sensitive products based on source and volume import criteria, showed that product group 3, 4 and 15 were identified to contain the potential sensitive products for the ECOWAS countries studied and should be exempted from EPAs as identified by the study. Based on the findings of this study, the following recommendations were made: The trade effect showed that ECOWAS countries are likely to record greater trade creation effect than trade diversion effect in favour of ECOWAS countries. The on-going Economic Partnership Agreements (EPAs) negotiations between ECOWAS and the EU need to be concluded and implemented based on this ground but measures should be taken to guide the infant industries to protect them from phasing out of production due to cheaper goods flooding ECOWAS markets from the EU market. There is need for fiscal reforms to replace EPA-induced tariff revenue losses. The fiscal reforms should entail shifting revenue from trade to non-trade tax sources and improving the efficiency of fiscal revenue collecting policies. Examples of non-tariff instruments that may assume greater importance in revenue generation include value-added tax (VAT) and excise taxes charged on imports from the EU. If ECOWAS countries can adapt this measure, EPAs should be signed since the lost revenue can be reclaimed via these means. Agricultural product groups 3, 4 and 15 should be the likely sensitive products for the ECOWAS countries and should be exempted from EPAs as identified in this study.

CHAPTER ONE

INTRODUCTION

1. BACKGROUND OF THE STUDY

The Economic Partnership Agreements (EPAs) between the Economic Community of West African States (ECOWAS) and the European Union (EU) are aimed at promoting trade between the two groupings. The expectations are that through trade deepened integration, development in addition to sustainable growth and poverty reduction would evolve in the ECOWAS sub-region. The EPAs are set out to help West African countries integrate and as well into the world economy and share in the opportunities offered within and outside the sub-region by globalization. Also, it hopes to provide scope for wide-ranging trade co-operation on areas such as services, and standards acting as drivers of change to kick-start reform and help to strengthen rule of law in the economic field, thereby attracting foreign direct investment (FDI), to help create a "virtuous circle" of growth (ECOWAS Statistical Bulletin, 2013).

However, with the exception of about 15 Caribbean states that signed a regional economic partnership agreement (EPA), negotiations with all the other countries have continued. To preserve their access to the EU market after 2007, about 20 countries concluded interim trade agreements. This light version of the original EPAs has not put an end to the

negotiations assume of these countries would like to see the terms of the trade agreement revised, or their scope extended, and concluded at regional levels, to preserve their regional integration process (ECDPM, 2012). In this regard, one wonders how Ivory Coast and Ghana each could have a bilateral free trade agreement with the EU. This is because opening their domestic market to European products, while their West African partners, with whom they form a customs union, keep protecting their market from the EU would, very logically lead to EU goods flooding the whole regional markets via these two countries, rendering the West African customs union and further integration process totally ineffective. This scenario which seems to be unique to West Africa is the same in several other African regions (Stevens, 2006).

Recently, Europe threatened to withdraw the special trade preferences by 2014 to countries not showing commitment to proceed with their interim EPA. Europe's objective hopefully is to press for the conclusion of broader trade deals at regional level that would replace these awkward and controversial interim EPAs. In an apparently generous move, the European parliament's trade committee called on decision-makers to extend this deadline to 2016. The identification of regionally traded products in a bid to sustaining them through joint and diversified action plan by the region is very necessary in aiding the negotiations through listing of products where trade exists among ECOWAS for which the EU are suppliers. These should be exempted from tariff removal (McKay, Milner & Morrissey, 2005).

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

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

the region as sensitive for EPAs, hence avoiding or postponing any reductions on tariffs on imports from the EU. If EPAs promote increased ECOWAS exports to the EU there is potential to benefit from spill-over (Onogwu, & Arene, 2013).

The results reported and discussed in many studies are based on a number of *ex ante* studies of the trade effects of EPAs on various ACP groupings or countries undertaken by the authors thus: – McKay, Milner and Morrissey (2005) analyzed the welfare impacts on the East African Community (EAC); Greenaway and Milner (2006) covered CARICOM and Milner, Morrissey and Zgovu (2008) considered aspects of impact and adjustment costs for the EAC and. Morrissey and Zgovu (2011) focused on agriculture and total respective imports for a large sample of ECOWAS countries to compare the welfare effects of a full liberalization with a scenario that excluded products traded intra-regionally. These studies measured the regional trade displacement effects of the liberalization of tariffs on imports from the EU given their areas of study.

By far, one of the studies closer to this research intention was the study by Busse, et al (2004). Though their study was on 'agricultural products' it was silent over trade classification and product details. Again, their study was silent at product sections levels hence on the listing of products traded among ECOWAS member nations within the region for which EU are suppliers (sensitive products) requiring sustenance. This can be used as a strong bargaining factor in EPAs between ECOWAS and the EU. Besides, other authors 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 traded products as a measure for sensitive products listing and criterion in designing a reduction of adverse intra-ECOWAS trade development effects. This proposal aims at filling these gaps.

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