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TRADE NEGOTIATIONS IN THE WEST AFRICAN REGION: ISSUES FOR CONSIDERATION

SYNOPSIS

This Analytical Note explores some of the main challenges that the countries of the EPA West African region face in the EPA negotiating process, particularly with respect to its interfaces with WTO negotiations. It highlights the region's interests in both settings and aims at increasing negotiators' understanding about the developmental implications of both processes.

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This Analytical Note is produced by the Trade for Development Programme (TDP) of the South Centre to contribute to empower the countries of the South with knowledge and tools that would allow them to engage as equals with the North on trade relations and negotiations.

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EXECUTIVE SUMMARY

1. The West African region negotiating the EPA with the EU comprises 16 countries including all ECOWAS members and Mauritania. The region, with a combined population of 252 million and an estimated real GDP of US$ 162.5 billion (2005), is the largest of all the ACP regions negotiating EPAs with the EU. Nevertheless, West African economies remain poorly diversified and heavily reliant on trade of primary commodities, mainly to the European Union. Moreover, with a gross national income per capita of just US$501, West African countries rank low in the UN human development index. Indeed, 41% of the region's population live below the poverty line.

2. Nigeria, with over 61 per cent of the region's real GDP, remains the most important economy in the sub-region. Cote d'Ivoire, Ghana and Senegal together account for more than 20 per cent of the region's real GDP leaving the remaining 12 countries with 18 per cent. West African governments' budgets are heavily dependent on external funding making it the most indebted sub-region in the continent, with debt reaching 135% of GDP (2004). The economic vulnerability of the region is aggravated by the its heavy dependence on a narrow basket of little value-added mineral and agricultural commodities, such as: gold, petroleum, fruits and vegetables, cocoa and cashew.

3. Notwithstanding the substantial contribution of agriculture to the region's employment and export earnings, it remains a highly vulnerable sector. For instance, many countries in the region import most of their food, including their staple crops. Sustainable impact assessments undertaken for the region confirm the likely significant impact of the EPA on food security and employment. Identification of an appropriate number of sensitive products will therefore be imperative under the EPA.

4. A common pattern for countries of the region is that government revenue is substantially generated from duties charged on imports. Indeed, import duties represent between 8% (Cote d'Ivoire) and 34% (Gambia) of total government revenue, which, together with the region's reliance on EU as a trading partner, explain the expected large losses of revenue after the implementation EPA tariff elimination and reduction schedules.

5. Formal negotiations of the EPAs between the EU and ECOWAS are conducted on three broad levels on the West African side included in the Regional Negotiating Committee (RNC): chief negotiators, senior officials and technical experts. The highest level of negotiation, responsible for the launching and concluding each phase of the process, is headed by ECOWAS and WAEMU. By contrast, no formalised institutional scheme exists for the exchange of information or the harmonisation of West African positions regarding WTO

negotiations. West African countries defend their positions through less formalized groupings of countries such as LDCs, ACP and African Groups and such thematic groups as the G-33 and G-20 in Agriculture. An exception to this is the well-coordinated cotton-exporters ("C-4").

6. West Africa, like other ACP EPA regions, has repeatedly proposed a gradual sequencing of the liberalisation process in order to first promote internal harmonisation of the regulatory framework, the fuller elimination of internal barriers, and the strengthening of the region's productive capacity. Integration in West Africa, led by the ECOWAS, remains limited as indicated by the region's low level of intra-regional trade, just under 11% (2005). Liberalisation towards the EU, prior to the consolidation of the West African common market, could lead to trade diversion to the detriment of local producers and is hence likely to exacerbate the region's dependence on the EU, compromising local manufacturing and export diversification.

7. The service sector is growing in importance in the region, already making substantial contributions to the economies of some member countries, including Senegal, where it accounts for over 30% of GDP, and Cape Verde. The important contributors in the sector include transportation, travel (tourism) and commercial services (finance and insurance). While there is no WTO obligation that would require West Africa to accept to negotiate trade in services under the EPA, WTO GATS rules would need to be respected in the event services are indeed liberalised under the EPA. In that case, it would be important to assess the extent to which the EU is willing to offer the region greater preferential market access than already provided under the WTO. An EU offer on Mode 4, particularly for low-skilled workers, would constitute an essential aspect of the EPA value added. However, the negotiators should be mindful of the need to further integrate services markets within ECOWAS before facing competition from sophisticated EU service providers.

8. A comparison between the EC proposed EPA text and the framework texts under discussion in the WTO Doha Round negotiations confirm that EPA would be a WTO-plus agreement and that it would curtail important flexibilities being create for developing countries at the multilateral level. To guarantee a real pro-development outcome in the context of WTO DDA and EPAs therefore, greater exchange of information and more coordinated action in both processes would be useful. This would require the adoption of a flexible negotiating timeframe in the EPA. Furthermore, in order not to compromise the developmental promise of the EPAs, it may be strategically interesting for the West African region to start discussing an alternative trade framework in case the scheduled deadlines cannot be met. Creating awareness about such EPA alternatives could be of interest to remove some of the pressure that there is on the region's negotiators to conclude the EPA.

TRADE NEGOTIATIONS IN THE WEST AFRICAN REGION: ISSUES FOR CONSIDERATION

I. INTRODUCTION

9. The West African region negotiating the Economic Partnership Agreements (EPAs) with the European Union (EU) comprises 16 countries including all ECOWAS members: Benin, Burkina Faso, Cape Verde, Cote D'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo[1]. In addition, Mauritania, not an ECOWAS member, negotiates the EPAs under this grouping. Cape Verde has expressed its willingness to negotiate an EPA outside of ECOWAS[2].

10. With a combined population of about 252 million[3] and an estimated real GDP of US$162.5 billion (2005), the West African EPA region is the largest of all ACP regions negotiating with the EU[4]. However, the region's gross national income per capita amounted to just US $501 in the same period and the entire region, except for Ghana, are classified as "low in human development" (UNDP, 2004). Moreover, 12 of the region's countries are Least Developed Countries (LDC) with the highest concentration of economies submitting to reforms under the Heavily Indebted Poor Countries Debt Initiative HIPC[5].

11. This note describes the main trade and institutional patterns that characterise the region and explores some of the main challenges that the countries of this region face particularly in the EPA negotiations with the EU. It highlights the region's interests in the EPAs and draws lessons from the WTO Doha negotiations to identify interfaces and possible lessons. It aims at increasing negotiators' understanding about developmental implications that result from some of the interfaces between both processes.

II. IDENTITY OF THE WEST AFRICAN REGION

12. The West African region is dominated by the integrating efforts of mainly the West African Economic and Monetary Union (WAEMU) and the larger

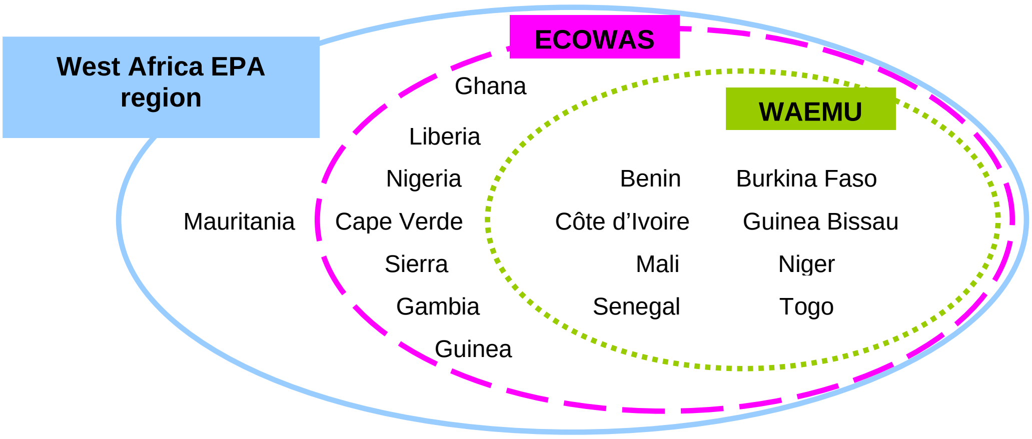
[1] Sometimes the West African EPA region is also referred to as the ECOWAS region.
[2] "Cape Verde wants to negotiate economic partnership with the EU outside of ECOWAS", 5 September 2006, available at http://www.bilaterals.org/article.php3?id_article=5761. Mauritania withdrew it membership from ECOWAS in 2000 but is negotiating EPAs within the sub-region.
[3] Including Mauritania. Calculations based on IMF data (2005).
[4] Excludes South Africa, who has recently joined the SADC EPA negotiating region.
[5] 12 countries including Ghana (Non-LDC) , Niger (LDC) have submitted to the HIPC Initiative, IMF 2004.

ECOWAS. The sub-region's economies are highly dependent on that of the European Union as well as highly vulnerable due to their lack of diversification and reliance on primary commodities (mainly oil). How West African countries strive to attain a common ground in regional negotiations, the EPAs, and the WTO, considering the level of heterogeneity existing among them, is a crucial determinant for their ability to effectively take part and influence the outcome of these processes.

A. General Overview: overlapping membership to RECs

13. Regional integration in the West African region builds on the efforts of mainly two Regional Economic Communities (REC): the West African Economic and Monetary Union (WAEMU) and the larger ECOWAS. Mauritania, a member of the Arab Maghreb Union but not of ECOWAS, also negotiates the EPA under this sub-region (see Figure 1). Although, the level of overlapping and sub-regional communities in the region is not as complex as that in the ESA region[6], further integration of the economies in the region - paramount in achieving the clout and importance required for meaningful inter-regional negotiations like the EPAs - remains a challenge, as attested by the region's low level of intra-regional trade.

<u>Figure 1</u>: West Africa-EU EPA Configuration



Source: *Adapted from ECDPM 2006: Overview of the regional EPA negotiations: West Africa-EU Economic Partnership Agreement (ECDPM InBrief 14B).*

14. Granted that integration in West Africa in anchored primarily on trade, any process, which impedes both intra and inter-regional trade constitute an obstacle

[6] See South Centre, "*Trade negotiations in the Eastern and Southern African region: issues for consideration*", March 2007 (SC/AN/TDP/EPA/5), available at: www.southcentre.org

to integration and trade development in the sub-region[7]. Intra-ECOWAS trade remain very low accounting for just under 11 per cent of all trade in West Africa (WTO, 2005). The WAEMU, created in 1994 at the level of a customs union, is so far the deepest and most advanced and solid regional integration process in West Africa in terms of institutions, decision-making processes, policy implementation and financial resources. WAEMU countries share a common currency. The Union was created as the result of the devaluation of the CFA franc, a response to the failure of the domestic adjustment strategies pursued during the 1980s.

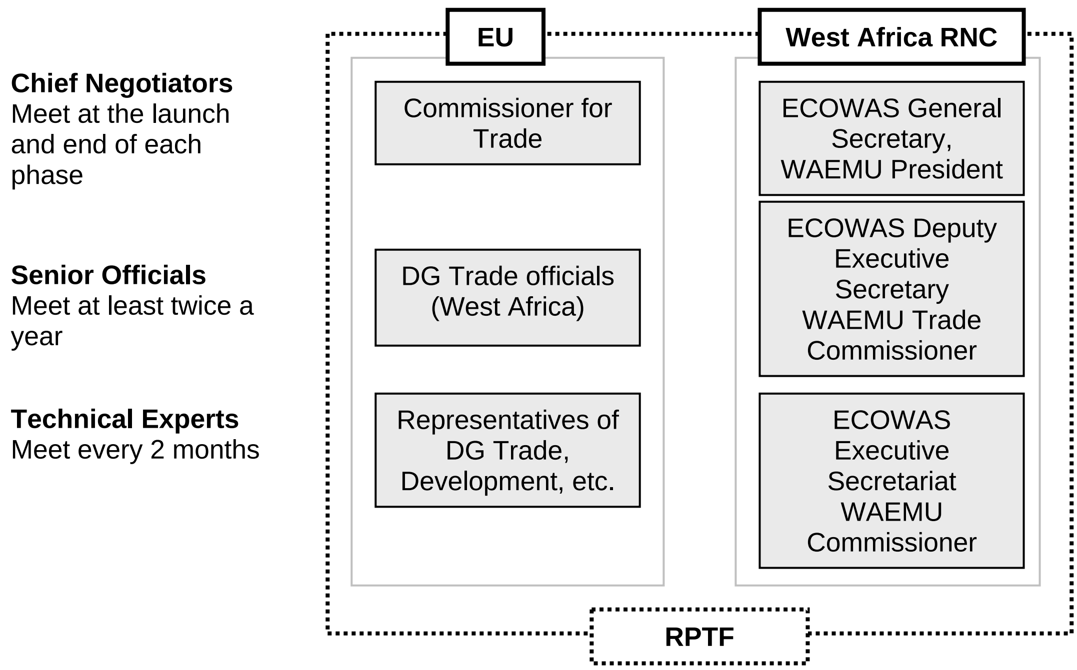
15. ECOWAS, which comprises all WAEMU member countries, was formed by treaty on 25th May 1975 in Lagos, Nigeria. It aims among other goals, to be the sole economic community within the sub-region with the objective of promoting cooperation and integration, leading to the establishment of an economic union in West Africa.

B. West African institutional and policy making framework

16. A Regional Negotiating Committee (RNC) conducts the formal negotiations of the EPAs between West Africa and the European Community (EC). The RNC comprises the ECOWAS Executive Secretary, the President of the WAEMU Commission, and two ambassadors of member countries in Brussels, two ambassadors of member countries in Geneva, one representative each of civil society and the private sector and two members of the Technical Support Committee. The latter includes three government members (mostly the Minister for Trade plus two other subject-related ministers according to the specific issues being discussed), one private sector representative and one civil society representative of each member state (Figure 2).

Figure 2: West Africa-EU EPA Negotiating structure

[7] B. O. Alaba, EU-ECOWAS EPA: Regional Integration, Trade Facilitation and Development in West Africa (2006)



17. The ECOWAS-EC negotiation team comprises three hierarchical levels:

   a. The Chief Negotiators; West Africa is led by the ECOWAS Executive Secretary and assisted by the President of the WAEMU Commission, while the EU is led by the European Commissioner for Trade.
   b. Senior Officials; whereby the West African delegation is led by the ECOWAS Deputy Executive Secretary for Policy Harmonization and assisted by the WAEMU Commissioner for Tax, Customs, and Trade Policy. The EU is led by the Head of the European Commission Directorate of Trade responsible for the relations with West Africa.
   c. Technical Experts; comprising the Directors of Trade of the ECOWAS Executive Secretariat and the WAEMU Commission furthered by other members of the RNC. Representatives of the Departments of Trade, Development and other relevant Departments, depending on the subject of the negotiations, lead the EU delegation.

18. In addition to the formal negotiating structure, a joint contact group has been set up to provide secretarial services and coordinating support to the negotiations. Moreover, a joint structure called the Regional Preparatory Task Force (RPTF) has been created to facilitate links and coherence between the EPA negotiations and development cooperation funding. The RPTF has an observer status at the meetings of technical groups and is supposed to inform senior officials of any problems arising in connection with the coherent implementation of development assistance.

19. Finally, it is worth mentioning that, with respect to the region's negotiating structures, no formalised institutional scheme exists for the exchange of

information or the discussion and harmonisation of positions regarding WTO negotiations. Countries of the region typically defend their interests through more or less formalised groupings of countries active in the WTO. For instance, LDCs are part, and often play an active role, in the WTO LDC Group and non-LDCs are part of the ACP and African Groups. Otherwise, countries of the region also participate in thematic groupings such as the G-33 and G-20 in Agriculture, and the Paragraph 6-countries group in NAMA. One important exception to these informal arrangements is the “C-4” (Benin, Burkina Faso, Chad and Mali) group, who have been extremely well coordinated in their demands for the elimination of all trade-distorting subsidies affecting trade of cotton.

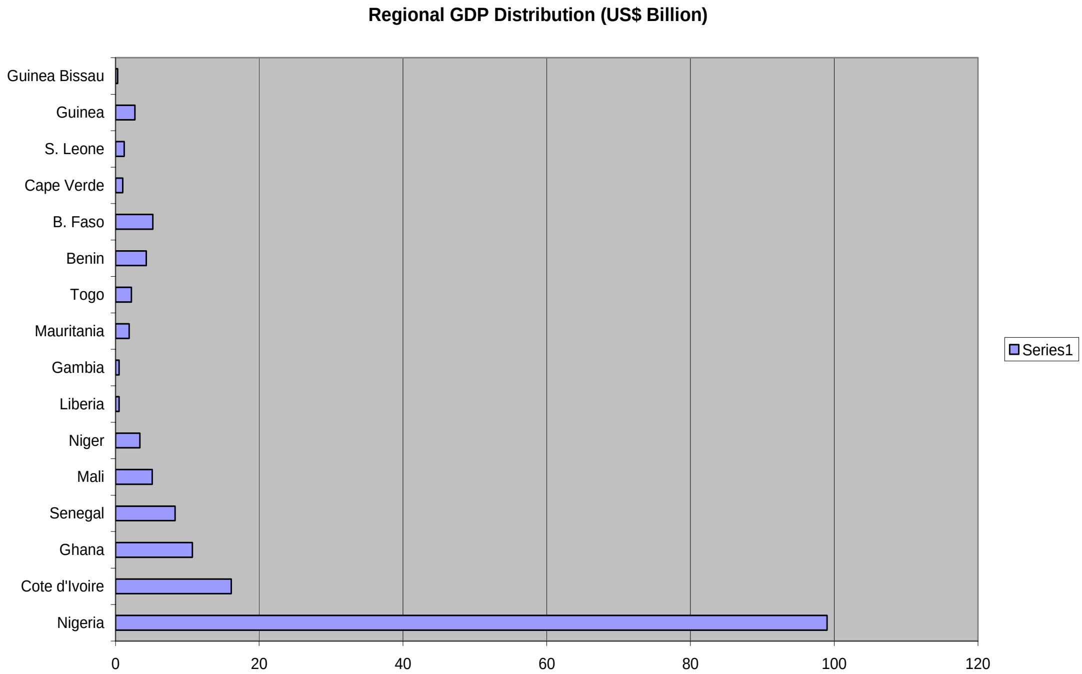
20. One consequence of this dual policy-making set-up is that there are no formal vehicles for sharing information, coordinating and creating strategic positions with respect to the interfaces between the WTO and the EPA processes. Of course, at the national level, at higher ministerial level, the same department or unit conducts both negotiations. However, at the more technical level both processes are conducted separately, which means the team dealing with one negotiation is only superficially aware of the topics being treated under the other negotiation.

C. West African economic, productive and export identity[8]

21. The West African Region has a market size of more than 250 million people generating a real GDP of about US $162 billion per annum. However, this aggregate figure conceals wide differences among the 16 countries of the region. Nigeria remains by far the biggest economy in the sub-region accounting for some 61.04% of real GDP (2005). The country recorded a 6.9% growth rate in 2005 from 6.0% in 2004 contributing 8.8 per cent of the sub-region’s economy, up from 2.27 per cent in the previous year. 59% of Nigeria’s GDP is accruable to merchandise export—mainly petroleum products. Cote d’Ivoire, Ghana and Senegal together account for more than 20%of the region’s real GDP leaving the remaining 12 countries with 18%.

Figure 3: Regional GDP Distribution

[8] If not indicated otherwise, all the data used in this section is from the World Development Indicators, 2006. Figures are expressed in real value using 2000 as the base year. In analysing each economic indicator, only countries for which data is available are included.

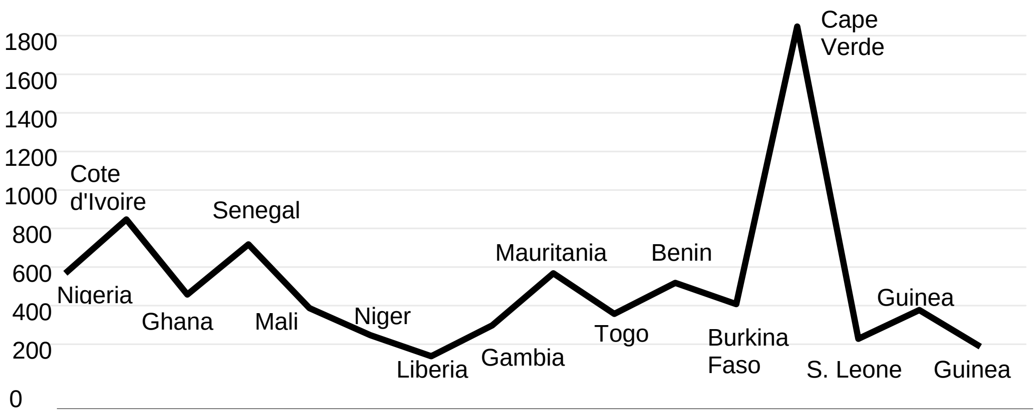


22. Poverty data is not available for most of the countries in ECOWAS, but available data in 2005 shows that those living below US $1 a day correspond to about 14.8% in Cote d'Ivoire, 17% in Senegal, 36% in Mali and 70.8% in Nigeria[9]. On average, 41% of the population in the region live below the poverty line.

23. Chart 1 provides insights into the sub-region's GNI per capita in 2005. The region's GNI per capita is US$501.87 (2005) but figures for each country also vary greatly. GNI per capita ranges from US$ 130 in Liberia to US$1,840 in Cape Verde. The highest per capita GNI is recorded by Cape Verde. In Addition, member states with higher than average rates are: Benin, Senegal, Cote d'Ivoire and Nigeria. Apart from Liberia, per capita income is lowest in Sierra Leone (US$220), G. Bissau (US$180), Niger (US$240) and Gambia (US$290).

[9] This is a measure of the poverty headcount ratio at $1 per day (PPP) as a percentage of a country's population.

Chart 1: GNI per capita in West Africa (US$)



Source: *World Bank (2005)*

24. West Africa is the most indebted sub-region in the continent. Its debt stock accounts for 135% of GDP, and debt servicing is about 70% of export earnings and 46% of tax revenues. In 2004, external debt stock of ECOWAS Member States amounted to US$81.1 billion compared with US$70.3 billion in 2003. Three countries account for almost three fourths of the outstanding debt stock: Côte d'Ivoire (13.72%), Ghana (6.66%) and Nigeria (52.31%).

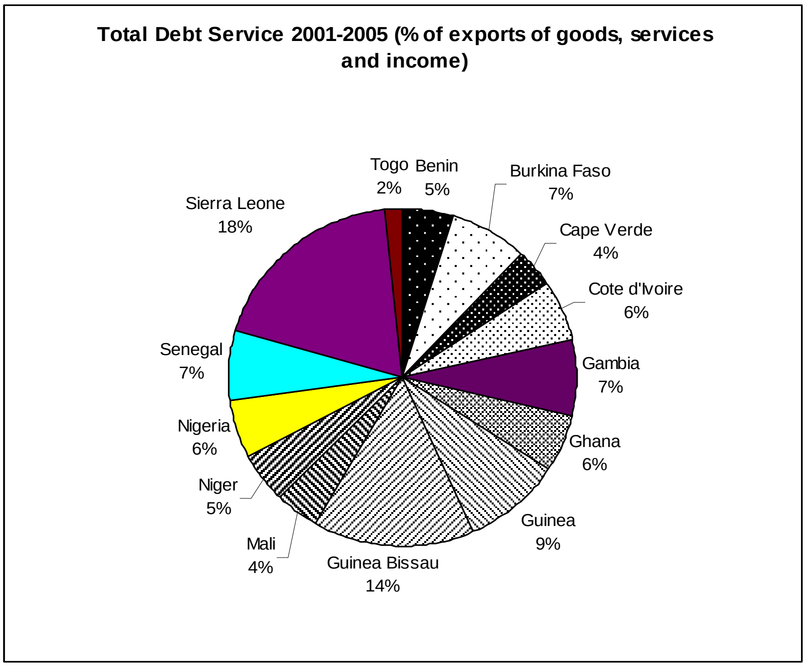


Chart 2: Debt profile of West African countries (2001-2005)[10]

25. The debt stocks of some countries including Benin, Burkina Faso, Ghana, Mali, Mauritania, Niger, Senegal are expected to reduce after 2005 upon reaching the Completion Point[11] of the HIPC Initiative; a condition for debt cancellation from the outcome of the G8 Summit in 2005.

[10] Source: SC Calculations based on statistics from World Bank (2004)
[11] The stage at which full debt relief is granted a country subscribing to the HIPC initiative, See http://www.imf.org/external/np/exr/facts/hipc.htm

26. External debt service in relation to export revenues as shown in the chart indicate an improvement over a five-year period averaging 7.2% in 2005 compared with 7.9% in 2004. All member countries have reduced their debt service over a five-year period. Total debt service as a percentage of exports of goods, services and income averaged 6% in Côte d'Ivoire, Ghana and Nigeria, 2 % in Togo, 14% in Guinea Bissau and 18% in Sierra Leone.

27. Given the region's high reliance on export earnings and import duties for the service of debt, tariff elimination is a particularly delicate and challenging exercise for countries of the region. Customs revenue with respect to total GDP and total government revenue for West African countries is very significant (Table 1). In general, customs revenue consists of import and exports duties and other statistical fees, taxes and surcharges related to trade.

<u>Table 1:</u> Loss of tariff revenue after EPA tariff elimination in West Africa

Country	Total imports (US$)	Imports from EU (%)	Import duties as share of government revenues[12]	Average tariff rates on EU imports[13]	Estimated losses in revenue (%)
Benin	898,696	38.48	18.1%	12.6	-6.97%
Burkina Faso	868,376	43.70	12%	10.6	-5.24%
Cape Verde	438,178	71.81	24.8%	15.8	-17.81%
Côte d'Ivoire	5,864,962	41.42	8.2%	10	-3.40%
Gambia	259,579	44.73	33.7%	11.8	-15.07%
Ghana	4,335,480	35.88	15.5%	18.8	-5.56%
Guinea	1,202,590	38.63	9.4%	6.3	-3.63%
Guinea-Bissau	186,309	54.74	8.5%	15.3	-4.65%
Liberia	5,156,265	10.74	-	-	-
Mali	1,271,613	38.32	10.7%	9.6	-4.10%
Mauritania	1,054,016	53.85	12.8%	8.5	-6.89%
Niger	735,563	23.86	12.3%	12	-2.93%
Nigeria	18,033,956	40.95	4.7%	19.5	-1.92%
Senegal	3,497,701	43.99	17.8%	10.4	-7.83%
Sierra Leone	519,789	46.08	-	-	-
Togo	592,616	42.11	14.7%	10.2	-6.19%

Source*: SC Calculations, UNCTAD and ITC TradeMap® Trade flow (2005)*

28. With respect to the EPA, only import tariffs vis-à-vis EU imports will be eliminated. Import duties as a share of total government revenue vary from 4.7 per cent in Nigeria to 33.7 per cent in Gambia. Import duties is generally the main source of government revenue for countries of the region, reaching particularly high values in Gambia, Benin, Ghana, Senegal and Togo, indicating

[12] UNCTAD (2004).
[13] Hamburg Institute of International Economics: The Impact of ACP/EU Economic Partnership Agreements on ECOWAS Countries: An Empirical Analysis of the Trade and Budget Effects.

the potential significance of the impact of the EPA-required tariff elimination exercise on government revenue.

29. The importance of import duties becomes more apparent if the relative magnitude of imports and protection levels of West African countries vis-à-vis imports from the EU are taken into account. On average, one-half of total West African imports are from the European Union. Yet this figure can be much higher for individual countries, such as Cape Verde (71.2 per cent).

30. The vast majority of imports in all West African countries consist of manufactured commodities, such as machinery, electrical appliances, cars, trucks, etc. Apart from Guinea-Bissau, the share of manufactures in total imports from the EU in West African countries is even higher than the same figure for total imports from all countries, indicating that these countries predominately import manufactured goods from the EU. Apart from Guinea and Ghana, West African countries apply lower tariff rates on raw materials than on agricultural or manufactured goods.

31. Nigeria, Cote d'Ivoire and Ghana account for 80% in value of all West African exports (2005) and are also the best performing economies in the region. Gambia with totalled exports valued at US$5,094 million growing at annual rate of 12% is the smallest market in the region.

32. Despite the fact that agriculture is the single largest contributor to employment in the region, agricultural exports are under 10 percent of total merchandise exports. Petroleum products and natural gas exports together account for over 75 percent of the region's 2005 total export in value. Again, Nigeria with a regional market share of 99 per cent is the main petroleum supplying country in West Africa. Generally, there is very little product diversification in the region, with cocoa products, fruits and vegetables and cashew being the main merchandise traded by the region.

Table 2: Regional Merchandise Trade

Country	Value of export 2005 (US$ Million)	Rank in World Exports	Major Export destinations	Annual export growth 2000-2005	Main export products
Top 3					
Nigeria	40,069,806	40	USA (55%) Spain (9%) Brazil (6%)	26%	Petroleum products, natural gas
Cote d'Ivoire	7,247,937	78	France (18%) Netherlands (14%), USA (11%)	10%	Petroleum products, cocoa bean

Ghana	2,130,985	113	Netherlands (14%) UK (9%) USA (8%)	12%	Cocoa beans, manganese ore
Bottom 3					
Gambia	5,094	219	Guinea (45%) UK (19%) Senegal (9%)	12%	Non-alcoholic beverages, shrimps, prawns
Cape Verde	89,421	188	Portugal (23%) Cote d'Ivoire (13%) Netherlands (10%)	61%	Petroleum products, Fish products
Guinea Bissau	104,810	186	India (92%) Italy (2%) Korea (1%)	7%	Cashew, fish products

Source*: South Centre Calculations based on data from TradeMap® (2005)*

33. The EC is West Africa's leading trading partner, accounting for almost 40% of the region's trade. Bilateral trade between the EU and West Africa has recently totalled about €25 billion a year. The US, a major oil market is the only important market outside of the EU. The main categories of exports were minerals (fuels accounting for 43%, iron 3%, aluminium 2% and gold 1%), agricultural products (cocoa 19%, fresh fruit 3%), fishery products (5%) and forest products (timber 2%, rubber 2%). In 2004, the EU exported goods worth €12.1 billion to West Africa (including electrical equipment, energy, transport equipment, medicines and dairy products). The minimum level of diversification of the West African economy—centred mainly on the production of primary products—makes it highly susceptible to external fluctuations; policy changes in importing markets, climatic changes, prices fluctuation in major imports, etc.

34. The vulnerability of West African economies is reflected in the region's agricultural production profile. In fact, with a regional average contribution of 33.9 percent to GDP in 2005 growing at approximately 4 per cent, agriculture is the backbone of West Africa. In account of its share of the sub-region's real GDP, Nigeria whose agricultural sector contributes 23 per cent of its real GDP is the major in this sector in the region. Other important producers include Cote d'Ivoire and Ghana. Cocoa beans, pineapple, cotton, yam and cashew nuts are the main cash crops produced in the regions. Cocoa beans (Cote d'Ivoire, Nigeria and Ghana), pineapple (Nigeria, Cote d'Ivoire, Benin and Guinea) and cotton lint (Burkina Faso, Mali, Guinea Bissau and Benin) are particularly important cultivations. Other key cash crop production includes cashew, banana, yam and some fruits and vegetables (onion, chilli, orange).

35. The main staple crops cultivate in West Africa include cereals, root and tubers and pulses. Maize, rice, sorghum, millet and wheat form an integral part of the diet in the region as the main source of calories. However, the entire amount of wheat consumed in the region is imported. Rice and wheat importation remain significant, growing at a rate of 27% and 15% between 2001 and 2005 respectively. Important food imports into the region include tomato paste, poultry products, cow milk and sugar, significantly from the EU. Large amounts of rice and maize are also imported. Table 3 provides an overview of the 2005 staple production in the region contrasted to the average consumption during the same period.

Table 3: Staple crop production and consumption pattern in West Africa

Staple Crop	Production (tones, 2004)	Major Producers (% share)	Total consumption (tones, 2004)	Consumption as a share of production
Cereals (Maize, Rice, Sorghum, Millet, Wheat)	40,405,000	Nigeria (56.5%) Mali (6.8%) Burkina Faso (7.2%)	45,972,000	Nigeria (106.9%) Mali (107.3%) Burkina Faso (109.4%)
Root and Tubers (Cassava, Yam)	120,117,000	Nigeria (59.9%) Ghana (12.9%) Benin (4.4%)	95,416,000	Nigeria (91.6%) Ghana (98.35%) Benin (95.2%)

Source*: South Centre calculations based on FAO (Faostat, 2007) and World Bank data*

36. Fourteen of the 16 countries negotiating the EPAs in West African are listed as net food importing countries. ECOWAS-Member countries listed under the WTO NFIDC decision[14] are especially vulnerable: for instance, the total consumption of wheat in Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Liberia, Senegal, Togo and Sierra Leone had to be imported from 1996 to 2001. Moreover, rice demand in the region is also increasing. Benin, for instance, import 65% and Burkina Faso 53% of all the rice they consume. Other countries that import substantial amounts of their rice are Gambia (77.2%), Cote d'Ivoire (42.2%) and Senegal (74.8%). Between 1996 and 2001, four-times Cape Verde's export earnings were spent on food importation alone. Burkina Faso (38.6%),

[14] All ECOWAS Member countries, except Ghana and Nigeria, are listed to receive benefits under the NFIDC Decision established by the WTO Committee on Agriculture to offset unforeseeable increases in world market prices of food. 13 of the member countries qualify under LDC while Cote d'Ivoire along with 15 other developing countries officially requested to be included in the list. (http://www.wto.org/English/thewto_e/minist_e/min96_e/netfood.htm)

Gambia (131.7%) and Sierra Leone (414.7%) spend considerable resources on food imports.[15]

III. Challenges and Opportunities arising from the interfaces between WTO and EPA negotiations

A. Development dimension

37. The mandate, objectives and negotiating texts of both the WTO Doha Round and of EPAs abound in developmental rhetoric. However, the record and extent to which development has been effectively incorporated in both negotiations is far from encouraging. One particular reason for this is a consistent and substantive reduction of the scope of both negotiations to their market access dimensions. Another reason is the lack of a shared understanding about the definition of development. Other reason might be the lack of awareness by developed countries about the specific needs and concerns of developing countries and their little understanding of concepts such as "policy space". Finally, issues of sequencing, i.e. the order to discussion of developmental and market access issues, have also hampered progress in both negotiations.

38. In the WTO, a long-standing argument of developing countries and LDCs alike has been that development is a all-permeating concept and that it is not possible to separate it from the core areas of negotiations. While technical and financial assistance or even Special and Differential Treatment (SDT) are critically important and add up to a developmental package, the developmental dimension of the Round cannot be reduced to these concepts only. For instance, the extent and pace of tariff liberalisation must also incorporate a developmental dimension by being flexible and recognising the importance that tariffs continue to play in the promotion of industries in poor countries.

39. Under the EPAs, the West African region defines development by focusing on capacity-building measures and financial resources to support the structural transformation of the region towards a competitive and diversified productive economy. The EC has refused to acknowledge these two aspects of the development dimension, which has caused a major delay in negotiations.[16] The EC, instead, has reduced development to its technical and financial assistance aspects only (e.g. separating RPTF, EDF and EPAs). The EC also retains that the implementation of trade-related rules and the creation of trade-related institutions will also deliver development. This vision transpires clearly from the

[15] Food imports as a share of the value of exports of goods & services minus debt service. See FAO http://www.fao.org/docrep/006/y5109e/y5109e00.htm#Contents
[16] UNECA-African Trade Policy Centre (2006) *EPA Negotiations: African Countries Continental Review: Draft Review Report*.

negotiating text proposed by the EC to West Africa in April 2007[17]. Implementation, proper application and enforcement of wide ranging trade rules are indeed the most salient feature of that text.

B. Regional Integration

40. One of the purported objectives of EPAs is to contribute to the strengthening of regional integration processes, by complementing and supporting ongoing integration efforts. This might include incentives for the integration of regional markets and the liberalisation of ECOWAS internal barriers, incentives for the effective application of a Common External Tariff (CET), harmonisation of regional trade-related rules and the consolidation of stronger regional markets through improvement of the regional productive capacity. Not only do EPAs have a mandated obligation to support such efforts, but they also offer a potentially great scope for the development of a positive collaborative agenda between Europe and Africa.

41. However, the region's trade and regulatory integration is still not complete despite efforts made through WAEMU and ECOWAS. For that reason, liberalisation of countries of the region towards the EU, before full liberalisation of West Africa countries among themselves, carries a real danger of diverting the region's trade towards the EU, granting the EU a more privileged access to the countries of the region and exacerbating the "hubs and spokes" effect that characterises the region. Ideally, reciprocity, in the context of a regional trade agreement with the EU, should occur only when integration has been successfully achieved and local markets are able to withstand increased import competition from the EU. This, in turn, raises the controversial issue of implementation periods and how much time the region would have before it opens its markets to the EU.[18]

42. One example of how this could hapen lies in the EC-proposed obligation that, in absence of a common regional technical regulation, EU products should comply with the regulations of only one importing country in the region. Once accepted into one country, the EU product "*shall*" have access to the other markets of the region "*without any further restriction or administrative requirement*" (Part II, Ch.5, art.7(2)). This would inevitably place European products at a more advantageous position than like local products as West African would still need

[17] See South Centre, "*West Africa EPA negotiations: Preliminary comments on the EC 'Draft EPA text for West Africa'*", May 2007 (SC/AN/TDP/EPA/07). Available at: www.soutcentre.org

[18] While the EC proposed schedules for tariff liberalisation have not been prepared yet, it is not possible to know exactly how much time the region would have to implement tariff liberalisation. Nonetheless, the EC has indicated that tariff elimination should be implemented over a period of about 12 years, with longer timeframes extending up to 20 years only in exceptional and circumscribed instances. Moreover, in its draft negotiating text to West Africa, the EC proposes a fast liberalisation of trade rules, with, for instance, the dismantlement and adjustment of state trading enterprises implemented in up to 5 years.

to comply with various technical standards. In an attempt to avoid undermining local producers, the EC text adds that "*West African States shall ensure that*" products from the EU will not have more favourable treatment than those of West African origin (Part II, Ch.5, art.7(3)). In other words, it is incumbent on West African states to (i) harmonise their regulations or, failing that, (ii) grant facilitated market entry to EU products and, in addition, (iii) ensure this does not discriminate against the region's own products.[19]

43. Another example of the need to sequence liberalisation towards the EU with the strengthening of ECOWAS can be found in the potential that the ECOWAS markets represent for services providers of countries of the region. ECOWAS has indeed liberalized tourism and transport services within the region. There are also some bilateral initiatives such as that between Ghana and Nigeria allowing for the movement of services suppliers between them in Mode 4. The fact that there is French and English speaking west Africa in the ECOWAS region is also an aspect that can be utilised to make the most of market access openings within the region such as through Gambian teachers supplying education services in Senegal in the English language and vice versa. Multiplying such initiatives would allow for development of capacity within the region, so as to later phase-in inter-regional trade. This sequencing would allow for greater harmonization of the ECOWAS RTA.

44. As a consequence of not respecting such sequencing, the EPA proposed by the EC could increase the region's dependence on the EU market instead of acting as a catalyser of regional integration. This could translate into trade diversion from the region in favour of the EU and could strengthen the "hubs and spoke" effect of trade between West Africa and the EU.

C. Industrial tariffs

45. While countries of the region are exempt from making tariff reductions under the WTO Non-Agriculture Market Access (NAMA) modalities by virtue of being LDCs or having a low binding coverage, EPAs would require the region not only to reduce – but also to eliminate – "substantially all"[20] its import duties. Reciprocal trade liberalisation for the region constitutes a challenge in several manners.

46. First, West African countries will face serious adjustment difficulties when eliminating tariffs on imports from the EU given the region's marked reliance on import duties to finance governmental expenditures (see comments to Table 1 above). Second, given the already high reliance on Europe as a trading partner, liberalisation of tariffs and non-tariff barriers is likely to further increase the

[19] See South Centre, May 2007 mentioned above.

[20] The proposed conformity of EPAs with WTO norms (articles 34.4, 36.1, and 37.7 of the Cotonou Partnership Agreement) through article XXIV of GATT would require West Africa to liberalise "substantially all" its trade with the EU over a "reasonable length" of time.

importance of the EU as the source of the region's imports (trade diversion). Third, reciprocal liberalisation will increase competition for local manufacturers, who may not be able to withstand such competition. West African trade with the EU is already characterised by exports of low-value added fuels and primary agricultural commodities and the importation of high-value added industrial products. Fourth, West African economies are indeed predominantly agricultural or dependent on exports of minerals, gas and oil (see paragraph 25 above), which means that by permanently eliminating the incentives that tariffs could provide for local producers, governments could be jeopardising their ability to encourage domestic value addition and to foster future industrialisation and diversification.

47. According to simulations conducted by ATPC[21], EPAs will be more beneficial to European partners than to ECOWAS, in particular in the industrial sector. Their findings suggest that imports from the European Union would increase by US$1.877.216.576 and that the highest percentage increases per country would happen in Nigeria, Ghana, Cote d'Ivoire and Senegal.

48. To avoid or limit sectoral difficulties, the criteria for the selection of sensitive products (i.e. for which the pace of liberalisation might be slower) should comprise not only present (static) considerations (e.g. tariff revenue generated through particular lines) but also a dynamic assessment of the promising areas for consolidating a strong and diversified regional market. This will add to the policy objectives that will compete at the time West African governments choose which products to protect through a limited list of sensitive products.

49. Finally, one major challenge posed to ECOWAS Members by EPA is the need to harmonize their policies and ensure internal consistency in policy to maximize their benefits from EPA. While an acceleration of the regional integration process would have been a positive outcome of the negotiations, the EPA negotiating timelines could mean that EPA policies and measures will overwrite and superpose local initiatives. One example in point is the WAEMU Common External Tariff (CET), established in 2000 which consists of four bands: (20%, 10%, 5%, and 0). By already 2008[22], the whole ECOWAS region will need to implement a CET that corresponds largely to that of WAEMU and the implementation of which will already require a reduction of the weighted average tariff applied by some countries of the region. The CET should constitute the base rate (or starting point) for tariff reductions and elimination.

50. These are, of course, very detrimental consequences for the region, particularly for employment and future development. Moreover, these

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[21] Ben Hammouda; Lang, Rémi and Sadni-Jallab Mustapha (September 2006). "*Evaluation de l'Accord de Partenariat Economique entre l'Union Européenne et le Mali*", Document de travail N° 24. Centre Africain pour les politiques commerciales (CAPC).

[22] Busse *et al*, 2004: The Impact of ACP/EU Economic Partnership Agreements on ECOWAS Countries: An Empirical Analysis of the Trade and Budget Effects, Hamburg Institute of International Economics.

consequences emphasize the need for accompanying measures to manage production and employment consequences of trade liberalisation. The adjustment would be easier if the region was able to subject each phase of liberalisation to developmental benchmarks such as those proposed to the EC by the Eastern and Southern African (ESA) EPA region (i.e. the attainment of measurable objectives). However, even if accepted by the EC, the region would have to ensure they could build up their manufacturing productive capacity before and during the implementation periods. This will require that technical and financial assistance be accessible for the implementation of flanking measures from the very beginning of the tariff reduction schedule.

D. Agriculture

D.1. Market access and erosion of preferences

51. ECOWAS member countries have preferential access to the European market by virtue of the Everything But Arms Initiative, which provides for duty free and quota free market access for LDCs as well as by virtue of the Cotonou Agreement, which extends preferences to the non-LDCs of the region. Such preferences have traditionally provided for:

(a) secure market access to the EU (through quotas and low or zero tariffs), and;
(b) guaranteed, stable prices (for bananas, sugar, beef and veal), sometimes higher than world prices,
(c) in sectors that have been highly protected by the EU Common Agriculture Policy (CAP).

52. These benefits, however, are set to be eliminated through the reform of the EU's CAP (Commodity Protocols), through WTO dispute settlement cases (bananas and sugar) and through the reduction of the EU's bound tariffs at the WTO.

53. In order to deal with the challenge of eroding preferences, ACP countries in the WTO have requested a trade-solution consisting, among various options, of maintaining preference margins and delaying liberalization in order to provide sufficient time to adjust, as some sectors would be unable to compete under liberalised conditions. This option has proved controversial, particularly with Latin American countries seeking access the EU market for similar products.

54. Market access opportunities may derive from the EPA outcomes. However, there is scope to wonder to what extent, given the supply constraints facing West African countries. Agriculture in West Africa is hindered by a dominance of the informal sector, low skills and a pre-eminence of traditional technology, in

addition to low productivity[23]. In this respect it is worth noting that the EPA text proposed by the EC limits cooperation to information exchange mechanisms on policy issues (such as standards), but falls short from proposing concrete measures to overcome supply and competitiveness constraints.

55. From a defensive point of view, the EPA proposed by the EC represents a larger challenge for ECOWAS countries if compared to the WTO, as most of the region's countries would not be required to undertake tariff cuts in the Doha Round by virtue of their LDCs status. The remaining countries would be required to reduce tariffs through a harmonizing formula, structured by bands, triggering higher reduction to higher tariffs. These reductions would start from national WTO bound rates. Special and Differential treatment provisions imply using different thresholds for the bands, different reduction percentages per band and longer implementation periods. There is a principle generally accepted that the contribution of developing countries should be 2/3 of the contribution of developed countries.

56. By contrast, the entire region would be expected to reduce and eliminate agricultural tariffs under the EPA. By contrast, with the WTO, tariff reductions start from the region's actual applied rates. Only a limited number of tariff lines would be treated separately by virtue of their sensitiveness (some have suggested up to 20% of tariff lines). Given that the EU has already opened its markets to ACP producers, the bulk or all the burden or reducing tariffs would rest on West African countries, raising the question of fairness and convenience of the EPA.

57. As stated in Table 1 above, the region is highly dependent on tariffs for fiscal revenue purposes. Although most revenue losses would happen in the industrial sector, losses are expected, in Mali for instance in the following sectors: cotton; products of the milling industry; malt; starches; wheat gluten; preparations of cereals, flour, starch or milk; pastry cooks' products, sugar and sugar confectionary and dairy produce, birds' eggs and natural honey[24].

D.2. Sensitive products: Justifying agricultural tariff protection

58. Agriculture plays a central role in the well-being of ECOWAS countries' economies and their people[25]:

- For Togo, agriculture is the major source of income and employment for 63 per cent of the population and provides a large proportion of the earnings from exports of goods. Farmers form the majority of the poor population.
- For Benin, cotton remains the most important activity, accounting alone for

[23] See the comments to Table 2 and Table 3 above. See also ECDPM (November 2006). "*Overview of the regional EPA negotiations: West Africa-EU EPA*". In Brief No. 14 B.
[24] UNECA ATPC 2006 mentioned above at footnote 21.
[25] WTO. Report of the Secretariat for the Trade Policy Review of Togo (2006), Burkina Faso (2004), Benin (2004), Gambia (2004), Mali (2004), Nigeria (2005) and Sierra Leone (2005).

13 per cent of GDP, 35 per cent of tax revenue[26], 85 per cent of export earnings and 77 per cent (1999) of total exports.

- In Gambia, nearly three quarters of the labour force are employed in the agriculture sector, which generates nearly 30% of all the country's foreign exchange earnings.
- Nigeria's agriculture sector employs about 70% of the labour force, and accounts for over a quarter of GDP; it is an important element in the government's poverty reduction efforts.
- Between 1995 and 2003, despite fluctuations in output, labour-intensive subsistence agriculture maintained a dominant role in the economy of Sierra Leone and accounting for 47.9% of GDP (2003).

59. Although the EPA text proposed by the EU recognizes the social and economic importance of agriculture for the ECOWAS countries and the food security and livelihood security needs of the region, it does negates the importance of tariffs as an instrument to promote these objectives. This contrasts with the approach taken in the WTO Agricultural negotiations, where many developing countries consider tariff protection to be justified because of the economic and social importance of agriculture and because it is the only means available for developing countries to protect their farmers (not all developing countries can use tariff-rate quotas, agriculture safeguards or subsidies). For that reason, there is a direct link between tariffs and livelihood and food security concerns.

60. In the WTO, two instruments are being negotiated to deal with sensitivities in the agriculture sector: special products and sensitive products (Table 4). In the context of EPAs, however, only economic criteria (such as amount traded and economic importance) have been discussed as a basis for the designation of sensitive products. Given the limited number of products that are likely to benefit from designation as sensitive, West African governments will have hard choices in identifying which products to protect.

61. Options to enhance the synergies between the WTO and EPA negotiations could include using the following proposals for the identification of sensitive products:

- Consider protecting local products that would be put in

Table 4: Agricultural Special and Sensitive Products in the WTO Doha Round

Special Products	▪ Available only to developing countries. ▪ Designation should respond to criteria related to food security, livelihood security and rural development ▪ Creates exemptions from tariff reduction or allows milder tariff reductions than would be required for other products (G-33 Proposal on the *Modalities for the Designation and treatment of […] Special Products)*
Sensitive Products	▪ Will be available to developed and developing countries alike ▪ Are meant to deal with commercial sensitivities.

[26] Economic Policy Analysis Unit (2002). Negotiations on agriculture: proposals by the EU and the United States for Cancún and implications for sub-Saharan African countries.

direct competition with products receiving subsidies from the EU;
- consider developing a list of criteria at the EPA level that is more complete than in the WTO (for instance protecting products of importance to develop regional complementarities and for the protection of subsistence farming);
- the need to have a homogenous methodology across ACP regions in order to compare data.

D.3. Subsidies and EU CAP reform

62. The effects of subsidies have been well documented: they cause unfair competition and dumping, distort markets, and divert of the benefits of trade liberalization from more efficient producers, out competing local producers with cheap imports. Subsidies have become a symbol of inequities in current multilateral trade rules. Indeed, developing countries, for whom 70% of the population rely on agriculture, lack the financial means to provide support to their farmers, and are ill equipped to deal with the type of volatility and instability of agricultural markets caused by subsidies.

63. WTO is the only negotiating forum where subsidies are being tackled. In fact, the EC-proposed West African EPA text does not mention any commitment from the EU to reduce or eliminate agricultural domestic subsidies. Only export subsidies are mentioned, replicating what is already proposed under the WTO. WTO negotiations cover (i) the reduction commitments of trade distorting support and (ii) the establishment of disciplines (for instance, on what is considered trade distorting for the creation of caps on spending etc). Some countries of the ECOWAS region (Benin, Burkina Faso and Mali, in addition to Chad) have been very active questioning subsidies affecting the cotton sector denouncing the poverty implications linked to these payments.

64. As a result of the EPA, European and West African farmers will be in direct competition, including on the consumer markets of West Africa. Because of subsidies, West African farmers run a major risk of disloyal competition and the risk of producers in the region going out of business. These risks include products such as cereals, dairy products, meat, sugar and vegetables[27]. The EU benefits from both a level of productivity and of public support which would not allow West African agriculture to resist. This should be a main subject of concern for West African countries.

D.4. Agriculture Safeguards

65. The WTO Agreement on Agriculture provided for the possibility of having a safeguard mechanism in case of import surges. Practice has shown that only

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[27] Réseau des Organisations Paysannes et des Producteurs Agricoles de l'Afrique de l'Ouest (ROPPA). "*Negotiations on economic partnership agreements between West Africa and the European Union: Processes and stakes for regional agriculture*". Paper prepared for the Forum on food sovereignty, held in Niamey (Niger) – 7 to 10 November 2006.

developed countries and few developing countries were able to utilize this mechanism. Most developing countries faced technical difficulties to implement it. As a result, developing countries have proposed, in the WTO negotiations, to create a new "special safeguard mechanism" to address price depressions and import surges. Such mechanism would be automatic and easy to access, but its creation and details remain a controversial issue among WTO members.

66. In the ECOWAS region, Nigeria and Ghana are among countries that have suffered more from import surges during the period 1980-2003 in the African continent[28]. Products affected by import surges affecting the ECOWAS region include rice, poultry, sugar, and tomato paste. Cote d'Ivoire, Benin, Burkina Faso, Senegal, Niger, Cape Verde, Liberia and Togo have also experienced import surges to a lesser extent. FAO studies did not determine whether in all cases trade remedies were needed to redress the situation, but the incidence of import surges are undeniable.

67. In the context of EPAs, a safeguard clause is provided for, if the implementation of the agreement leads to problems related to the availability or access to foodstuffs or other products essential to ensure food security, if such a situation may give rise to major difficulties for any party. Although specific disciplines and procedures have not been drafted, this kind of instrument does not seem to guard wholly against situations of cheap subsidized imports from the EU nor import surges or price depressions.

E. Trade in Services

68. The starting point with Services and the EPAs is that nothing requires West African countries to accept to liberalise services sectors vis-à-vis the EU under the EPA process. WTO compatibility does not require more than the liberalisation of merchandise trade and, hence, services can – from the viewpoint of rules – be excluded from the EPA negotiations. However, West African negotiators could, of course, accept to include it in the range of topics they wish to discuss with the EU, in which case other WTO norms, namely those of GATS, will need to be complied with.

69. The services sector is of great economic importance to West African countries. In many instances, it makes important contributions to the GDP of countries. In Nigeria, we see the component of GDP at 33.3%, with key sectors being finance and insurance, as well as the energy sector arising from the natural endowments of oil.[29] In Senegal, the services sector generates at least two-thirds of GDP, and is expected to continue to grow, especially in the area of telecoms[30].

[28] FAO (October 2006). Import surges: What is their frequency and which are the countries and commodities most affected? FAO Brief on Import Surges No. 2.
[29] Country profile, 2007, Nigeria, The economist intelligence unit, www.london.eiu.com
[30] Country profile, 2007, Senegal, The economist intelligence unit, www.london.eiu.com

Many West African countries have undertaken clear and direct policy choices to liberalise services sectors. For example, Cote d'Ivoire has a diversified financial sector[31]. Cape Verde, not a WTO member, is particularly strong in transportation, travel and other commercial services.[32] However, data is scarce regarding services trade in West Africa because most of it is informal.

70. Other characteristic of trade in services in the region concerns a close connection between countries using the same language or sharing a colonial tie. Francophone Africa trades closely with France, while Nigeria, Ghana, the Gambia trade more with Anglophone Europe. However, this trade tends to appear more on the import than export side, although the language preference allowed some countries like Senegal and Mali to provide services to France in Mode 4, and Mode 1 (through call centres).

71. If the West African region is to negotiate an EPA with the EU, key GATS principles will have to form the basis of the negotiation. Some of these include the Most Favoured Nation (MFN) and National Treatment (NT) principles. Introduction of these principles into a trading arrangement with the EU and ECOWAS would mean EU getting ECOWAS-like country treatment, and its services and services suppliers getting the same treatment that Nigeria, Ghana, Senegal, and other ECOWAS countries give to their own services providers. Because the EU already has strong capacity in numerous services sectors, ranking most-competitive world wide in some, real questions arise as to the ability of ECOWAS nationals and their companies to compete with the EU on MFN and NT basis.

72. In order for the EPA negotiations to bring results that will enhance the economic development of the ECOWAS region, they have to place development at their core. A good starting point would be to assess the extent to which the EU could provide preferential access to West Africa, going beyond its WTO commitments. In overall terms, the ECOWAS region is much more open than many other WTO members, especially the EU (Table 5). The EU in its own schedule has opened financial services; insurance services; banking. It had also made some Mode 4 commitments related to computer services; construction services; educational services; engineering services; professional services; recreational services; tourism, but only for highly skilled professionals with numerous limitations from the domestic regulation perspective such as qualification requirements and procedures and acceptable technical standards.[33]

Table 5: Services sectors of West African countries for which concessions were scheduled at the WTO

[31] Country profile, 2007, Côte d'Ivoire, The economist intelligence unit, www.london.eiu.com
[32] ITC calculations based on COMTRADE and WTO statistics.
[33] The EU also withdrew some of its commitments after its enlargement to 25 countries. At this stage, it is still not clear what form the compensation will take as the EU is preferring to play around the rules by addressing the issue of compensation through its revised Doha Round offer.

Country	Service Sector
Nigeria	financial services including insurance, communications, and transport
Burkina Faso	tourism and travel related services including on hotels, and catering
Benin	professional services; financial services; banking; catering; hotels; maritime transport services; tourism; transport services
Cote d'Ivoire	financial services; insurance services; banking
The Gambia	business services; professional services; air transport services; audiovisual services; banking; communication services; computer services; construction services; cultural services; distribution services; educational services; engineering services; environmental services; financial services; health services; insurance services; maritime transport services; real estate services; recreational services; rental/leasing services; research and development; road transport services; sporting services; telecommunications; tourism; transport services; water transport services
Sierra Leone	business services; professional services; air transport services; banking; communication services; computer services; construction services; cultural services; educational services; engineering services; environmental services; financial services; health services; insurance services; maritime transport services; rail transport services; recreational services; sporting services; tourism; transport services; water transport service
Ghana	financial services; insurance services; banking
Guinea Bissau	tourism; hotels; catering; cultural services; recreational services; sporting services
Guinea	business services; environmental services; catering; health services; hotels; road transport services; tourism; transport services
Mauritania	tourism; hotels; catering
Niger	tourism; hotels; catering; road transport services; transport services
Senegal	financial services; insurance services; banking
Mali	tourism; hotels; catering; educational services

73. In order for the EPA process to make a real contribution to West Africa, it would be important that the EU bring something new to the table, particularly something that the region would not be able to obtain through the multilateral (WTO) negotiating process. If the experience of other regional groupings involved in the EPA negotiations, such as ESA, is to be taken into account, it is clear that the EU, while ambitious in the pursuit of its own interests, is not willing to give any much substance in terms of market openings.

74. This is particularly true of Mode 4, considered the Mode of greatest interest to developing countries. The EU has indeed held a firm stand in its negotiations with ESA and CariForum that it can only give Mode 4 for highly skilled services suppliers. While few of the ECOWAS countries may have a vast majority of skilled people ready to participate in trade in services most of them are LDCs. Typically, in such countries, the trend shows that they have more export advantage in the areas of semi-skilled workers. With the EU adamant about making commitments of this kind, the question of value addition for ECOWAS countries negotiating services with the EU remains relevant.

75. Another reason for questioning the usefulness of signing a reciprocal services agreement with the EU relates to the need for strong and robust regulatory capacity, which is a must-have for countries to participate in and benefit from international trade in services. In many of the West African States, countries are, at best, trying to develop this capacity. Even in the sectors where countries have made commitments at the WTO, they are still trying hard to develop this capacity. It seems more urgent that such countries work on developing this capacity, than open up markets further for the benefit of Europe.

76. Furthermore, unlike the WTO, where LDCs were exempted from undertaking market access commitments, the EPAs approach trade in a reciprocal manner, and have little scope for treating West African LDCs more favourably. Some of the challenges that the ECOWAS countries find themselves faced with in services include the issue of developing capacity to provide universal access to basic services for their populations at a domestic level. Critical sectors like health, education, and other essential services such as water and its availability to all, remain a challenge. Beyond the domestic issues, the countries also need to develop capacity through targeted training to adjust to demands of specific services markets.

77. Finally, it is worth noting that some countries in ECOWAS, particularly Nigeria, have been targeted in the WTO plurilateral negotiations on energy and audiovisual services. There is likelihood that through the EPAs, the EU can get its interests in these sectors not only in the Nigerian market, but also by default in other ECOWAS countries, including LDCs. Key questions here are whether Europe is the most efficient supplier of these services, whether, from a development perspective, it makes sense to provide market opening only to the EU, particularly before the region has regulatory capacity in the sectors of EU interest.

IV. CONCLUSION

78. There are several interfaces between EPAs and the WTO Doha Round that would be missed out or even be antagonised by over compartmentalising trade negotiations. It would indeed seem that some flexibilities painstakingly negotiated at the multilateral level are not being reproduced under the West Africa EPA. Moreover, areas in which the EPA could add value by going beyond the WTO, such as sectoral cooperation, technical and financial assistance, improvement of market access for West African priority products, have not yet materialised. Greater exchange of information and more coordinated action in both negotiations may not only guarantee that the outcomes of both processes is mutually compatible, but may lead to the identification of positive synergies in both negotiations.

79. Because of their scope and ambition, trade negotiations in both the WTO and EPA context are crucially important for the West African region. However, the technical, human and financial capacities of countries of the region to effectively negotiate and influence the outcomes of both processes are limited. The region's limited negotiating capacity is further accentuated by the need to move both negotiations in parallel. Moreover, few, if any at all, targeted impact studies have been conducted and, when available, it is uncertain how they influence these negotiations. One point of commonality among these studies is that an overwhelming majority of them foresee the EPAs will have very high costs of implementation, be it due to the adjustment costs that sectors will face or because of the obligation to set up new institutions and enact or reform legislation.

80. Finally, it would seem that a real pro-developmental outcome in the context of the WTO Doha Round and of the EPAs would require greater time, which is difficult given the enormous pressure that there is on the region to conclude both trade deals. In that sense, it may be strategically interesting for the West African region to continue to negotiate its EPA with Europe, but at the same time start discussing an alternative in case the scheduled deadlines cannot be met without compromising the developmental promise of the EPAs.

READERSHIP SURVEY QUESTIONNAIRE
South Centre Analytical Note

Trade Negotiations in the Eastern and Southern African Region: Background considerations

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