

Evita Schmieg

Evaluation of the EU-ECOWAS Economic Partnership Agreement

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Ladies and Gentlemen,

It is a pleasure and an honor for me to give you today some information and my assessment on the Economic Partnership Agreement between the EU and the ECOWAS countries. I will structure my contribution along some hypothesis.

First hypothesis: EPAs are a new approach to combine trade liberalization with sustainable development issues

Why did the EU and the ACP countries decide to Economic Partnership Agreements? They were looking for an instrument that would be compatible with WTO law and would allow to continue EU trade preferences for the ACP. WTO law demands all parties of a free trade agreement to open their market to some extent (reciprocity). This has been very much commented upon, there were large fears that ACP countries' economies would be too weak to bear with liberalization. Two points are important in that regard:

1. Theoretical as well as empirical analysis have shown, that liberalization by itself does not lead to increased competitiveness, economic growth and social development.
2. Theoretical as well as empirical analysis have shown, that *protectionism* by itself *neither* leads to increased competitiveness, economic growth and social development.

The reason behind is that it depends on a whole range of factors whether countries are competitive, can stimulate growth and make growth contribute to sustainable development. Therefore, the EU and ACP were looking for a new approach: The EPAs try to make trade liberalization instrumental for development objectives, also in combining it with development co-operation.

Second hypothesis: Criteria can be applied to identify whether a trade agreement bears the potential to support sustainable development. The ECOWAS EPA theoretically does:

- 1. Real market access for the developing country partner and asymmetrical liberalization:** Under the EPA, the EU opened its market completely for ACP exports. But the EPA also acknowledges the very different starting point of the ECOWAS region. They are asked to liberalize much less (75%) and over a long period of time (20 years).
- 2. Flexible safeguards:** Since liberalization leads to more competitive pressure, it can displace local production. The EPAs foresee safeguards which allow to react to this kind of problems. They are more flexible than WTO law.
- 3. Policy space for the developing country partner:** For African countries it was necessary to keep the possibility to follow policy objectives like promoting infant industries or improving social and ecological conditions. The EPA does contains reference to such kind of regulations. Two examples are export taxes or food security.
- 4. A contribution to regional integration:** The fact that the EPA was negotiated, already contributed to regional integration because it facilitated the ECOWAS decision in Oct. 2013 to implement the common external tariff. However, there is a risk that competition from the EU could displace regional producers. To avoid that, ECOWAS states must also liberalize against each other, as foreseen in the EPA, but also in the larger African region. Only then can the EPAs serve as stepping stones towards the African Continental Free Trade Area.
- 5. Monitoring of the effects of implementation:** Liberalization can lead to adverse consequences. That can be the disruption of local production as already mentioned. But also the effect of tariff reduction on state budgets can be problematic. To include monitoring is an important innovation of the EPAs. Such a system can identify upcoming problems at an early stage. This would allow to react timely with either the reintroduction of tariffs or other policy instruments. It is, however, a challenge to construct a useful instrument that can really fulfill this task.

6. Support with development co-operation: The EPA follows a new approach in combining closely the implementation of the agreement with a development support package. One important area for support is tax reform, in order to make countries more independent from import tariffs as a main source of their state budgets.

According to these 6 criteria, the ECOWAS EPA has the potential to contribute to sustainable development. The potential is, however, limited, since the agreement only covers trade in goods.

Third hypothesis: The formulation with regard to human rights in the ECOWAS EPA is not state of the art. But it is better than without EPA.

(Ms. Lerch will speak on that in more detail), I just make one short comment: There are other agreements that contain better formulations with regard to human rights and social and ecological issues. One example is the EPA with the Caribbean region. However, negotiating means compromise and for the African countries, this issue was extremely sensitive. It is important to note that the EPA does contain reference to human rights via the Cotonou Convention and provides a framework for regular dialogue and consultations. It is therefore at least an instrument for continuing discussion. This is an important geo-political argument, especially in the context of the EU's declining economic and political importance in many developing country regions.

Fourth hypothesis: It is urgent to start implementation

The EPA provides trade preferences within an unlimited time frame. But: They will be of economic value for a limited period of time only. The EU continues free trade negotiations within TTIP, with other countries, like Vietnam and within the WTO. An EPA which is limited to goods like the ECOWAS EPA will thus gradually lose its value. If implementation does not start soon, the chance of reaching the ambitious objectives is declining. It is of special importance to continue negotiations on the issues of the build in agenda in order to exploit their potential to sustainable development. The CARIFORUM EPAs can serve as a useful model that African regions can build on.

Fifth hypothesis: Positive effects are not guaranteed

Even if the agreement is designed in a way that it has the potential to contribute to sustainable development, positive effects are not guaranteed and they are by no means generated automatically. Why is that the case? First, there are huge capacity constraints, which are a barrier to use the theoretically available opportunities of the agreement. Development co-operation plays an important role in tackling these obstacles. Second, there are political economy reasons. Liberalization should come with internal reform. Often, these reforms go slowly. There is a danger, for example, that regional liberalization might be slow or tax reform protracted.

The experience with the CARIFORUM EPA shows that the EPA can only provide a framework. Whether things do really change depends on people and institutions working in that framework. An active approach from all sides in following up on achieving the objectives as well as support through development co-operation is instrumental in that regard.

Thank you for your attention.