The Economic Partnership Agreement Between Ghana and the European Union: A Developmental Game Changer?

Acheampong, Theophilus and Omane-Achamfuor, Michael and Anang Tawiah, Nii

Ghana Growth and Development Platform

29 July 2014

The Economic Partnership Agreement (EPA) Between Ghana and the European Union: A Developmental Game Changer?

Theophilus Acheampong[§], Michael Omane-Achamfuor[§§] and Nii Anang Tawiah[§§§]

ABSTRACT

In December 2007, Ghana and the EU initialled the Interim Economic Partnership Agreement (iEPA), which provides a framework for trade. This followed the near expiration of the Cotonou agreement, which had been in existence since 2000. Regional body ECOWAS gave their backing to the full EPA in July 2014 following a review of issues raised by Nigeria. Though the objectives of the EPA are simple with regard to increasing productive investments and job creation in Ghana and West Africa, as well intensifying and facilitating trade between Ghana (and the ECOWAS region) and the EU towards a win-win developmental relationship; we conclude that the attainment of these noble objectives cannot be attained without serious commitment to reforming the business environment especially the supply side constraints many businesses grapple with on a day to day basis. The EPA would, in effect, provide free access to the EU market of 500 million people for all products from Ghana thus providing a lot of scope for economies of scale and scope. It also conforms to meeting WTO rules, unlike the system operating under the Cotonou agreement; therefore, would save all parties from unnecessary legal challenges.

***§** Co-Founder and CEO, Africa Economics, LLC and PhD Candidate in Economics, University of Aberdeen, Scotland, United Kingdom. Corresponding email: theo.acheampong@gmail.com*
***§§** Professional Project Manager at Mason & Hanger Inc. based in Lexington, Kentucky, United States*
***§§§** Director of Project Management and Strategy at IBM CUNY, MBA+JD Candidate*

1 ISSUE

The year 2014 started with discussions about the Economic Partnership Agreements (EPAs), a Regional Trade Agreement (RTA) between the European Union (EU) and African, Caribbean and Pacific (ACP) group of countries taking the centre stage of political economy discourse with many making arguments for and against Ghana signing on to the agreement. This was especially in light of revelations that our neighbouring Economic Community of West African States (ECOWAS) Member State, Nigeria, had serious reservations about signing on to this agreement.

To understand why we got to this point, a history of trade relations with European countries must be reviewed. From pre-colonial times to date, West African coastal ethnic groups and land-locked kingdoms further up North to the Sahel region have traded raw materials mostly cocoa, timber, gold, diamonds, manganese, bauxite, and a host of other raw and semi-processed goods in exchange for mostly finished products. Trade between European and West African pre-colonial nations developed relatively recently in the economic history of the African continent. Prior to the European voyages of exploration in the fifteenth century, African rulers and merchants had established trade links with the Mediterranean world, western Asia, and the Indian Ocean region. Within the continent itself, local exchanges among adjacent peoples fit into a greater framework of long-range trade. The merchants from Portugal, Britain, France and the Netherlands who began trading along the Atlantic coast of Africa therefore encountered a well-established trading population regulated by savvy and experienced local rulers. European companies quickly developed mercantile ties with these indigenous powers and erected fortified "factories or warehouses, on coastal areas to store goods and defend their trading rights from foreign encroachment" (Bortolot, 2003).[1]

Post-independence, most West African countries had preferential access and bi-lateral trade agreements with their former colonial masters, and others nearby, which lasted until the year 2007, when the interim EPA (iEPA) was initialled by the government of Ghana and signed by the Ivory Coast. Up until 2007, African Caribbean and Pacific (ACP) countries could impose tariffs and restrictions on imports from the European Commission / Community (EC) countries under successive ACP-EC agreements while enjoying duty free-quota free access to EC markets, although this contravened Article I of the GATT decision (1979) which required equity in preferential treatment for all least developed countries (LDCs), not just those belonging to the ACP and who had historical ties to these European countries.

World Trade Organisation (WTO) waivers were therefore required to secure temporary preferential access to EU markets which culminated in the Cotonou Agreement in June 2000. This was aimed at progressively complying with WTO trade rules, culminating in the signing of EPAs. Article 36 of the Cotonou Agreement required that "ACP and EC agree to remove, progressively, barriers to trade between them and enhance cooperation in all areas relevant to trade in line with article 24 of GATT. Article XXIV (GATT) requires "*the liberalisation of "substantially all the trade" between the countries involved and "in a reasonable length of time".* In keeping with the set timelines, 31st December 2007

[1] See http://www.metmuseum.org/toah/hd/aftr/hd_aftr.htm

was set as a deadline for the conclusions of EPAs, to coincide with the expiration of the WTO waiver. A transition period of 2000-2007 was specified in the Cotonou Agreement, which allowed preferences to remain during that period.

In terms of scope, the EPA covers trade in goods in compliance with WTO rules. In addition, however, trade in services and trade-related issues such as public procurement, investment standards, sanitary and phytosanitary standards have been part of the EPA negotiations.

The Cotonou Agreement set out the main objectives of the EPAs as follows:[2]

- **Reciprocity:** The establishment of a free trade area in line with article 24 of GATT (liberalisation of "substantially all trade") through the gradual elimination of trade restrictions between ACP-EC countries. Liberalisation schedules are therefore central to the EPAs but countries are allowed to exclude some products from liberalisation in their market access offer (Article 37).

- **Development-orientated:** Promote sustainable development and poverty reduction by helping the integration of ACP countries into the world trading system and supporting their own regional economic integration (Article 34).

- **Regionally-based:** The six ACP regional groupings used as a basis for negotiations are intended to strengthen regional integration, which is seen as a first step towards integration into the world economy (Article 35.2). *"Economic and trade cooperation shall build on regional integration initiatives of ACP States, bearing in mind that regional integration is a key instrument for the integration of ACP countries into the world economy*".

- **Differentiated:** The Regional groups should allow sufficient flexibility; provide special and differential treatment to take the different levels of development of the contracting parties into account (Article 35).

In September 2002, EPA negotiations were launched, with 1st January 2008 set as the deadline for bringing the EC-ACP trade regime into conformity with WTO rule.[5] Negotiations started between the EC and ACP countries~~,~~ on issues of general interest to all ACP countries and then devolved into separate negotiations with the six regional groups (Caribbean, West Africa, Central Africa, Eastern and Southern Africa, SADC minus, Pacific - see table below). Negotiations were extended from 31st December 2007 till date, with the "stepping stone" or iEPA
being initialled by Ghana on 13th December 2007 and Ivory Coast at about the same time, along with sixteen (16) other African countries to enable negotiations to continue beyond the set deadline of 1st January 2008. The only EPA signed before the 31st of December was between the EC and CARIFORUM.

[2] See: http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/1714.pdf

Table 1: EPA Regional negotiations groupings[3]

EPA sub-region	Members [a]
Caribbean (15)	Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, *Haiti*, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Surinam, Trinidad and Tobago
Central Africa (7)	Cameroon, *Central African Republic*, *Chad*, Congo Republic, *Equatorial Guinea*, Gabon, *São Tomé and Príncipe*
East and Southern Africa (16)	*Burundi, Comoros, Democratic Republic of Congo, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi*, Mauritius, *Rwanda*, Seychelles, *Sudan, Uganda, Zambia*, Zimbabwe
Pacific (14)	Cook Islands, Fed. Micronesia, Fiji, *Kiribati*, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, *Samoa*, *Solomon Islands*, Tonga, *Tuvalu, Vanuatu*
SADC-minus (7)	*Angola*, Botswana, *Lesotho, Mozambique*, Namibia, Swaziland, *Tanzania*
West Africa (16)	*Benin, Burkina Faso, Cape Verde*, Côte d'Ivoire, *Gambia*, Ghana, *Guinea, Guinea Bissau, Liberia, Mali, Mauritania, Niger*, Nigeria, *Senegal, Sierra Leone, Togo*
(a) Countries in italics are least developed.	

Countries that refused to sign iEPAs continued trade under two (2) different trade regimes namely:

- **Everything But Arms (EBA) scheme:** Applicable to least developed countries (LDCs), it grants duty-free quota-free access to all products, except arms and ammunitions.[4]
- **Generalised System of Preferences (GSP/GSP+):** This offers generous tariff reductions to developing countries. At a practical level, this means partial or entire removal of tariffs on two thirds of all product categories. The "GSP+" enhanced preferences mean full removal of tariffs on essentially the same product categories as those covered by the general arrangement. These are granted to countries which ratify and implement international conventions relating to human and labour rights, environment and good governance.[5]

The question then becomes whether Ghana was in a position to opt for these alternatives, instead signing the iEPA. What are the advantages and disadvantages of the iEPA versus the EBA and GSP/GSP+? To what extent does Ghana's new status as a lower middle income country affect its

---
[3] See: http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/2588.pdf
[4] See http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/
[5] ibid

qualifying criteria for the EBA, GSP or GSP+ as the ten (10) other non-LDCs in Africa, including Nigeria and Gabon, as seen in the table below? We aim in this paper to provide the answers to these questions and the macro-socioeconomic impact of the EPAs in Ghana.

For some reason the rationale behind the creation of the 6 regional groupings, as negotiating units, is given as aiding regional economic integration and intra-regional and/or ACP trade. It is to be part of the agreement that all members of a regional EPA will remove tariff barriers with each other, thereby increasing intra-African and ACP trade. In practice however, this has not happened and some African countries have expressed reservations about the EPA side-stepping the spirit of the Cotonou Agreement, which required the strengthening of regional integration bodies. Evidence from countries who have independently initialled the iEPA, as opposed to as a regional block, suggests some levels of protectionism within the regional bodies. Also, EPA groupings were not designed to coincide with already existing regional bodies, causing further problems with negotiations and agreement.

Ghana has witnessed impressive economic growth with annual growth averaging over 6.4% of GDP since 2000 and attained middle-income country status in late 2010 after a rebasing of its national accounts. Estimates from Ghana's Statistical Service from April 2013 show that in real terms, the Ghanaian economy expanded by 7.9% in 2012, which compares well with an average global growth of 3.2% and an average sub-Saharan African growth of 4.8% in 2012. Ghana's growth has been largely driven by expanding service and industrial sectors, notably due to the start of oil production in 2010, a growing construction sector and continuously strong mining activities.

Revised GDP estimates for 2013 by the Ghana Statistical service showed a growth of 7.1 percent over the 2012 final estimates of 8.8 percent. The Services sector recorded the highest growth of 8.9 percent, followed by Industry 7.0 percent, with Agriculture recording the lowest growth rate of 5.2 percent.[6] Projections made by the International Monetary Fund (IMF) show an expected average annual growth rate of 6.3% in the period from 2013 to 2018.7 Ghana is becoming increasingly engaged in international trade with Ghana's total external trade in US Dollar terms increasing by over 70% over the last five year.8 EU continues to be the most important trade partner for Ghana, accounting for about 30% of Ghana's total external trade in 2012. Foreign Direct Investment (FDI) inflows into Ghana have also increased significantly in the past few years, with Ghana featuring among the top five recipients of FDI into Africa in 2012, according to the World Investment Report 2013.

2 THE WEST AFRICA TRADE BIG PICTURE: IS THE EU COMPELLING AFRICA TO ADHERE TO ITS TRADE POLICY?

- **A contextual perspective:** The West African region is the EU's most important trade partner in the ACP region. West African countries account for 40% of all trade between the EU and the ACP region.
- **The top three contributors:** Of West African countries the Ivory Coast, Ghana and Nigeria account for 80% of the exports to the EU.

[6] http://www.statsghana.gov.gh/docfiles/GDP/GDP_2014.pdf
[7] http://www.imf.org/external/pubs/ft/scr/2014/cr14129.pdf
[8] http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/2588.pdf

▪ **Regional barriers to economic growth:** Despite advanced regional integration processes in the region, barriers to intra-regional trade remain a challenge for the economies of West Africa. Regional trade lags behind trade with developed and emerging countries outside West Africa.
▪ **WTO membership:** All the countries in the West Africa region except for Liberia are members of the WTO. Liberia is currently going through the accession process with full support of the EU.
▪ **EU Exports:** EU exports to the Ivory Coast and Ghana are dominated by industrial goods, machinery, vehicles and transport equipment and chemicals.

EU Imports: EU imports from West African countries are dominated by a limited number of basic commodities. Nigeria is a major oil exporter, recently followed by Ghana. Ghana and Ivory Coast are the world's two largest cocoa exporters. They also export bananas and, together with Cape Verde and Senegal, processed fisheries products. Other exports from the region include a range of agricultural commodities (mango, pineapple, groundnuts, cotton etc.) and to a far lesser extent (copper, gold) and diamonds

Table 2 Summary of ACP Market Access Outlook[9]

Non-LDCs are shown in **bold** and South Africa is not included as it continues to benefit from the TDCA

	EPA (9 LDCs, 26 non-LDCs)	EBA (32 LDCs)	GSP (10 non-LDCs)[1]
Caribbean	**Antigua & Barb**, **Dom. Republic**, **St Kitts & Nevis** **Bahamas**, **Grenada**, **St Lucia** **Barbados**, **Guyana**, **St Vinc & Gren.** **Belize**, Haiti, **Surinam** **Dominica**, **Jamaica**, **Trinidad &Tob**		
Central Africa	**Cameroon**	Central African Rep., Equatorial Guinea DR Congo, São Tome Chad	**Gabon** **Rep. Congo**
Eastern / Southern Africa	<u>EAC</u>: Burundi, **Kenya**, Rwanda, Tanzania, Uganda <u>ESA</u>: Comoros, Madagascar, **Mauritius**, **Seychelles**, **Zimbabwe**	Djibouti, Somalia Eritrea, Sudan Ethiopia, Zambia Malawi	
Pacific	**Papua New Guinea** **Fiji**	East Timor, Solomon Islands Kiribati, Tuvalu Samoa, Vanuatu	**Cook Isls**, **Micronesia** **Tonga**, **Palau** **Marsh. Isls**, **Nauru** **Niue**
West Africa	**Côte d'Ivoire** **Ghana**	Benin, Guinea Bissau, Niger Burkina Faso, Liberia, Senegal Cape Verde[2], Mali, Sierra Leone Gambia, Mauritania, Togo Guinea	**Nigeria**
SADC	**Botswana**, **Namibia**, **Swaziland** Lesotho, Mozambique	Angola	

[1] The Pacific countries (with minimal goods trade with the EU) and Nigeria declined to negotiate an interim agreement
[2] Cape Verde loses its LDC status in 2008 but has been granted a period of transition allowing to benefit from GSP EBA for 3 years

[9] See: http://trade.ec.europa.eu/doclib/docs/2007/december/tradoc_137335.pdf

Figure 2.1 Ghana Merchandise Trade with the World

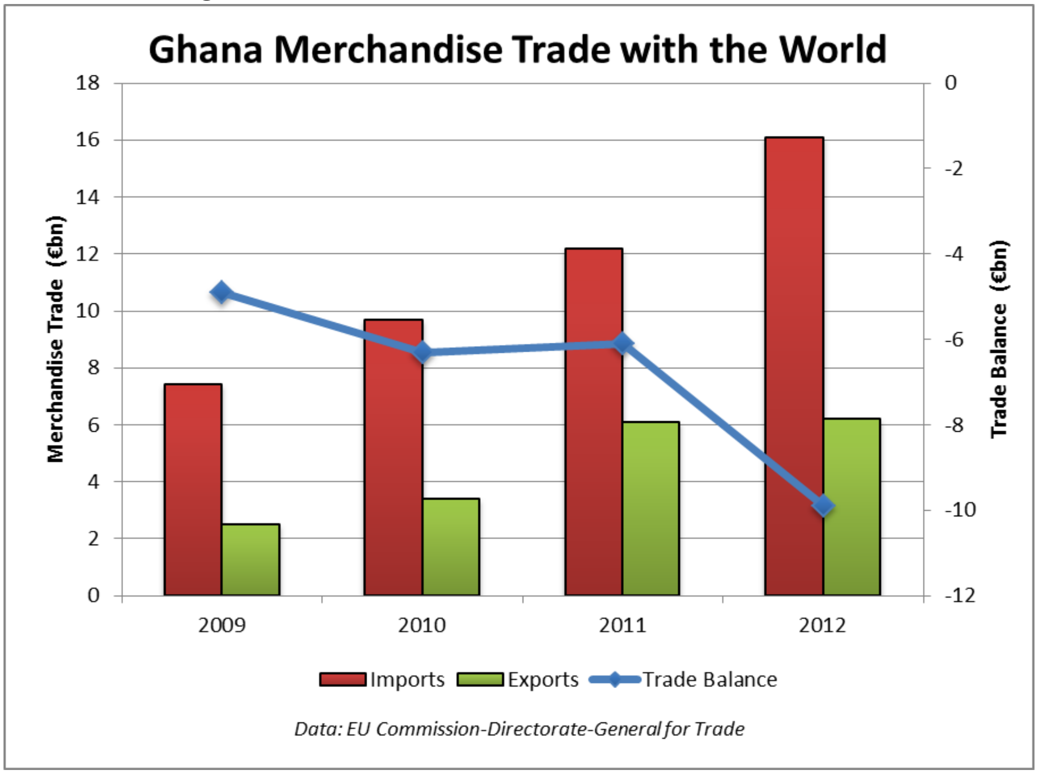


Figure 2.2 EU Merchandise Trade with Ghana

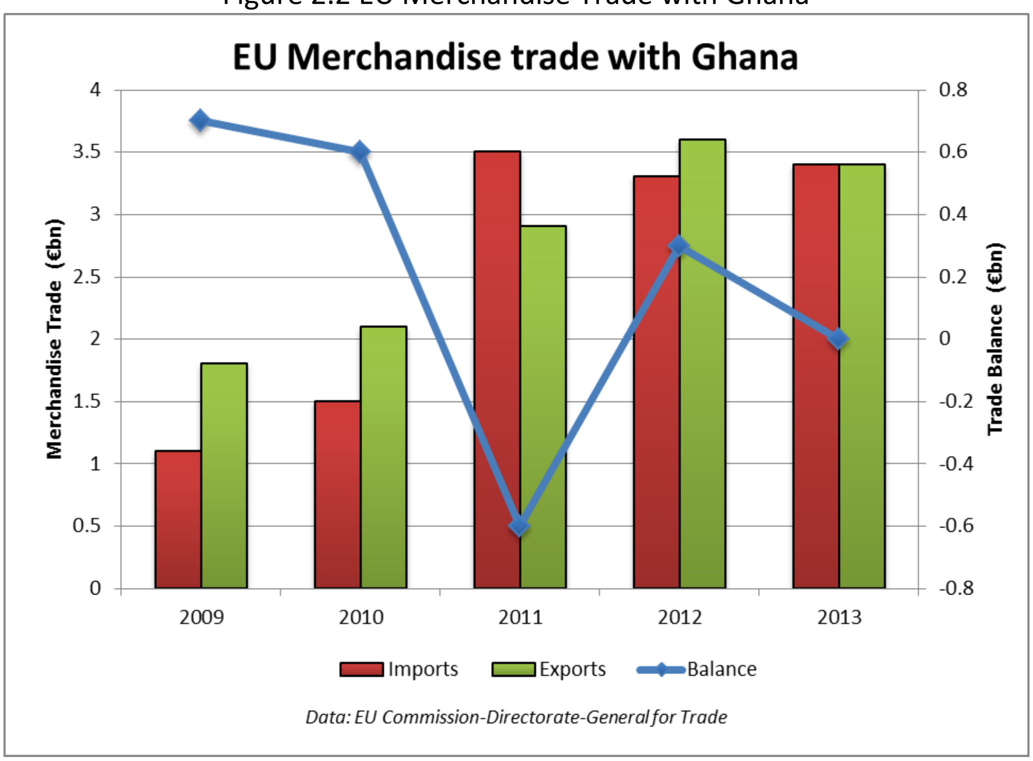


Figure 2.3 EU-Ghana Trade Product Breakdown

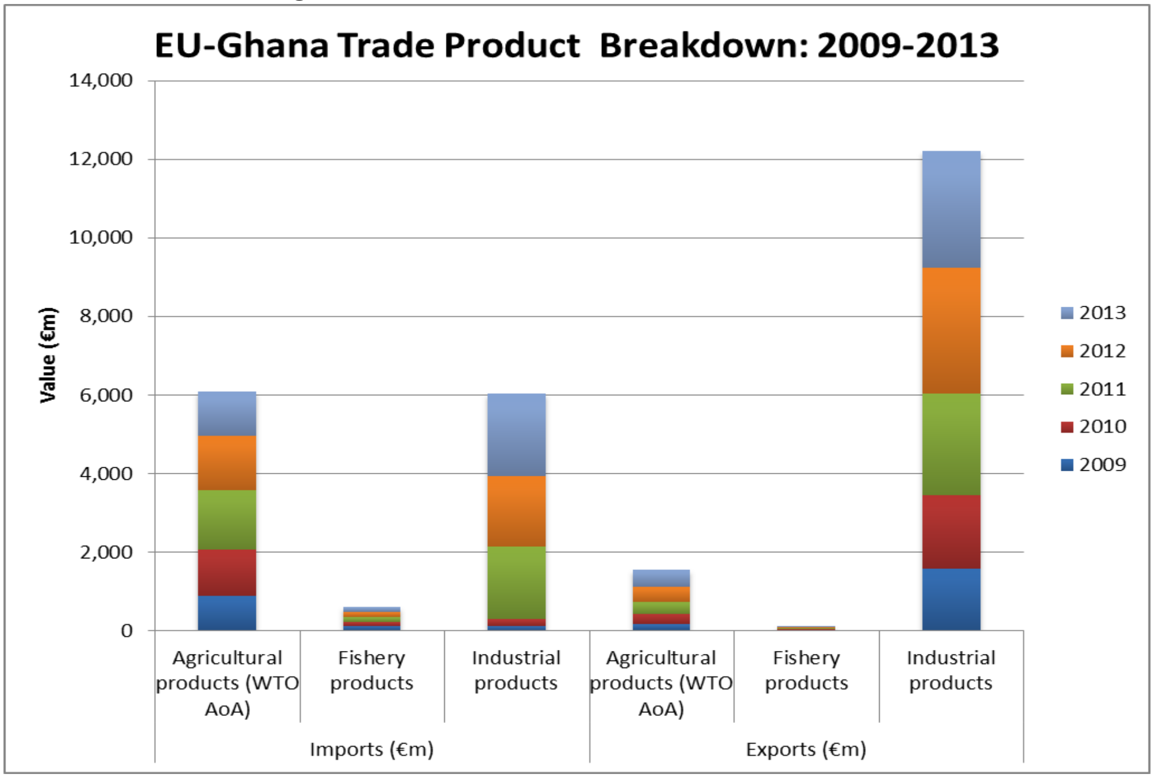
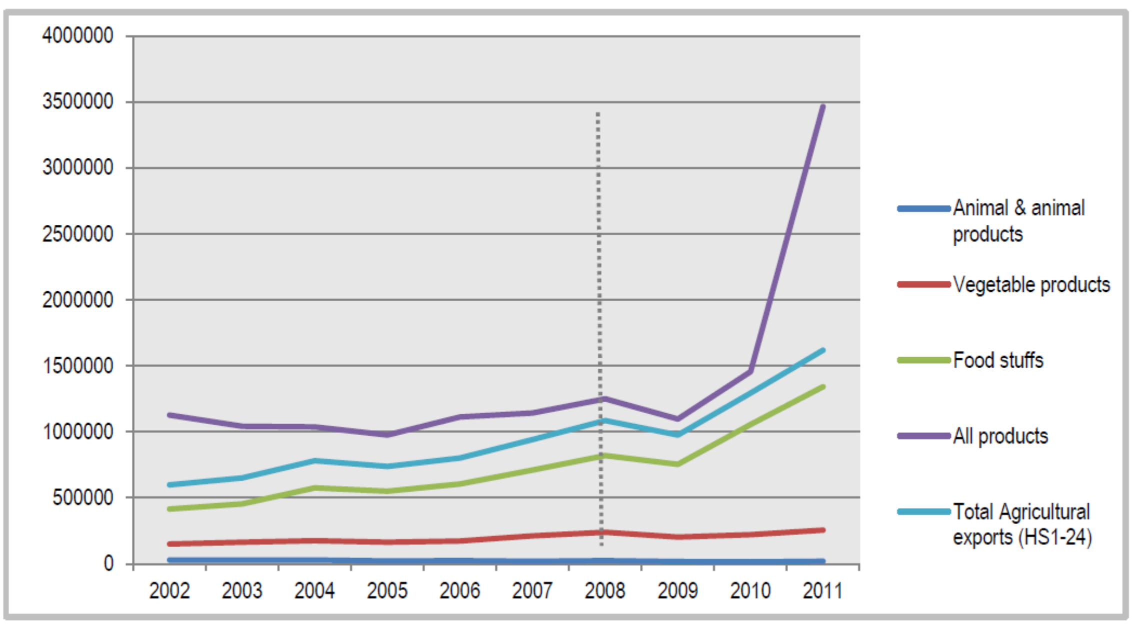
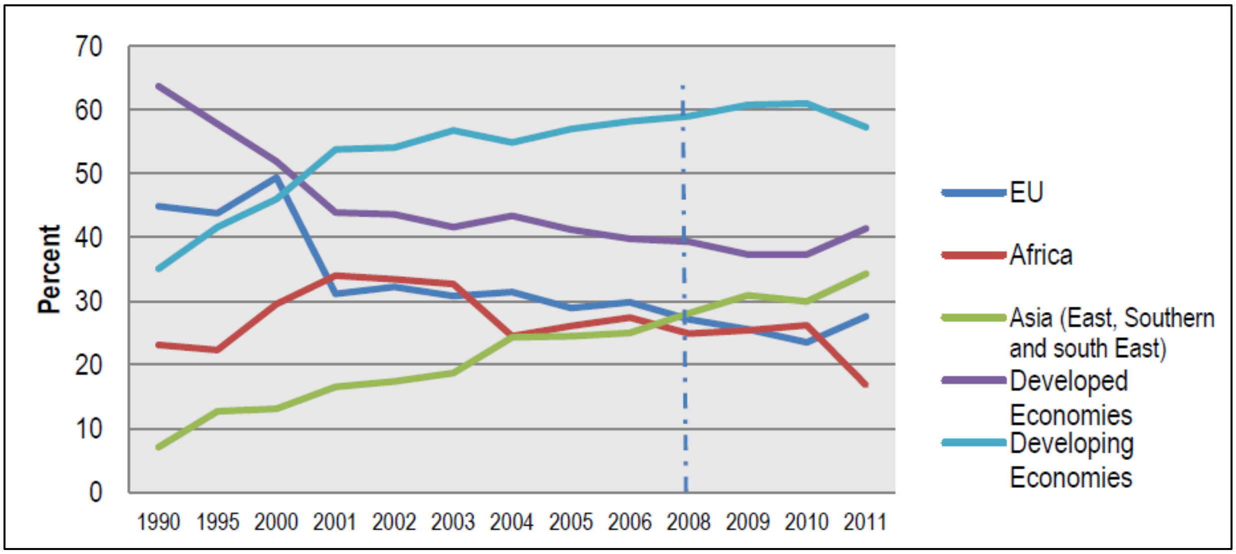


Figure 2.4 Ghana Exports to the EU (1995 - 2011)



Source: ActionAid EPA Report (2013)[10]

Figure 2.5 Trend of Ghana import Trade Structure 1990-2011



Source: UNCTAD Handbook of Statistics, 2000-2012 cited in ActionAid Report, 2013

To make this exercise more useful, it would have been beneficial to look at the impact of several levels of tariffs (EU) on export products and how they affect their competitiveness against similar or same products from other ACP and non-ACP countries. This analysis, however, is not possible due to lack of data. The main trade terms (provisions on Trade in Goods) of the iEPA are as follows:

- **Duty free quota free access** into the EU for all imports from Ivory Coast and Ghana as of 1 January 2008, with some transitional provisions for sugar (until 2015);
- An **asymmetric** and **gradual** opening of their markets to EU goods, taking full account of the differences in levels of development between them and the EU (see below);
- A chapter on **trade defence** with bilateral safeguards allowing each party to reintroduce duties or quotas if imports of the other party disturb or threaten to disturb their economy;
- A chapter on **technical barriers to trade** as well as **Sanitary and Phyto-sanitary** (SPS) measures, to help West African exporters meet EU import standards; and
- A chapter aiming at facilitating trade through measures such as more efficient customs procedures and better cooperation between administrations.

In the context of the current heated debate on the EPAs, one question that has often been asked is whether the EU is focussed on compelling Africa to adhere to its trade policy and whether these policies conform to the generally accepted WTO rules, of which Ghana remains a signatory. As per the ActionAid Ghana report on the interim EPAs, EU official sources are reported as saying thus:

[10] http://www.actionaid.org/sites/files/actionaid/actionaid_ghana_research_-_ghana_under_interim_epa_and_implications_for_socio-economic_development.pdf

*"The EU should work towards the elimination of trade distorting measures taken by third countries in all areas relevant to access to raw materials. **The EU will take vigorous action to challenge measures which violate WTO or bilateral rules**, using **all mechanisms and instruments available**, including enforcement through the use of dispute settlement. More generally, the EU will act against the protectionist use of export restrictions by third countries…. The European Centre for Development Policy Management (ECDPM) states concerning the EPA negotiations: The honey moon [for Africa] is over…The message is therefore clear: if countries want to continue to benefit from EPA market access, either they have to sign and start implementing their existing EPA or conclude a new regional EPA. For others, either they will fall under one of the schemes of the new GSP (i.e. Everything but Arms, Standard GSP or GSP Plus) or they will have no preferences (as might be the case for Botswana and Namibia."*

The EPAs as envisaged by the EU with ACP countries includes:

- Liberalization of 90% of the total value of trade between the EU and the ACP, whereby the EU liberalizes 100% of its trade and the ACP liberalizes 80% of its trade. This would leave ACP countries, including Ghana, able to protect only 20% of the total value of their trade with the EU through the use of an exclusion list.
- The implementation of liberalization in Ghana over a period of 10-12 years and binding rules on investment, government procurement and competition policy. On the issue of the implementation period, ACP countries were pushing for an implementation period of between 20 and 25 years to allow for necessary fiscal and productivity adjustments to take place domestically before opening up to the EU.[11]

3 IS THE EPA AGREEMENT IMPORTANT FOR GHANA'S EXPORTS?

Ghana's exports to the European Union are governed by four alternative arrangements:

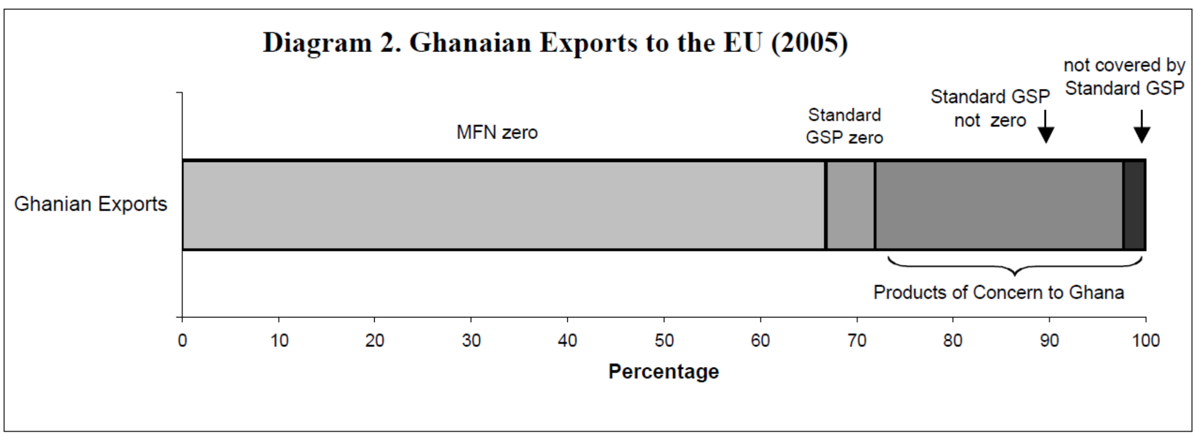
1. The Most Favoured Nation (MFN) rate available to all countries
2. The standard Generalised System of Preferences (standard-GSP and GSP+) available to all developing countries. The GSP+ provides for duty-free treatment of all products falling under the normal GSP. However, for products on which both ad valorem and specific tariffs are applied, the ad valorem but not the specific tariffs are eliminated.[12] The GSP+ is designed to encourage countries to meet certain human rights and good governance standards.[13]
3. Cotonou Agreement available to all ACP countries – Since 2000, it has been the framework for the EU's relations with 79 countries from Africa, the Caribbean and the Pacific (ACP). In March 2010, the European Commission and the African Caribbean Pacific group concluded the second revision of the Cotonou Partnership Agreement following a first revision in 2001.[14,15]

[11] See Patel (2007)
[12] http://cepa.org.gh/researchpapers/Ghana74.pdf
[13] ibid
[14] http://ec.europa.eu/europeaid/where/acp/overview/cotonou-agreement/

4. EPAs/iEPAs: The EPA is modelled on the concept of Free Trade Area (FTA) as defined by guidelines of international trade. The underlying principle of any Free Trade Area is that of reciprocity and the lowering of all barriers to trade therefore fundamentally, trade liberalization cannot be avoided in an FTA.[16]

As Patel (2007) argues, despite 98% of all Ghana's exports to the EU being accorded duty-free entry (zero per cent tariff), Ghana's exporters in many cases receive equivalent access to the EU market under the MFN and standard GSP arrangements to the extent that the expiration of the Cotonou agreement and subsequently iEPA still leaves 70% of Ghanaian trade with the EU not affected by increased tariffs. These products include cocoa beans, hardwood lumber, gold and diamonds, and we can export an additional 5 percent to the EU at duty free rates under the standard GSP arrangement. Products affected without the EPA/iEPA constitute about 30% of Ghana's EU trade including prepared or preserved tuna (18-20% of export share value); pineapples (2.3-5.8%); cocoa butter and cocoa paste (4-6%); fresh vegetables (2-8%); parts and accessories for instruments used in topography, oceanography etc.; aluminium; wooden sheets for veneering and plywood; frozen octopus, cuttle fish and sharks; bananas; cassava; and palm oil (ActionAid Report, 2013). The challenge is that many of these products, which fall into the non-traditional exports (NTEs) sector already, suffer massive supply-side constraints and thus would remain uncompetitive without general waivers under an EPA/iEPA.

Figure 3.1 Ghanaian Exports to the EU under Trade Regimes



Source: Patel (2007)

With the exception of rice and sugar, all imports from Ghana have entered the EU duty and quota free, and in return, Ghana agreed to liberalize 80% of its imports from the EU, representing 81% of tariff lines over 15 years - January 2008 to 2022. Liberalised EU imports are mainly industrial machines

[15] The poor performance of ACP States over the period of preferential treatment is attributed to the following among others; Lack of infrastructure; Shortage of entrepreneurship; Low levels of physical and human capital; Low levels of saving and investment; and Under-developed financial sectors. See CEPA Report pg 16
[16] ibid

(pumps, generators, turbines, etc), certain vehicles (boats, aircrafts, cars), and certain chemicals. In return, it is reported that Ghana is also required to liberalize 44.1 per cent of her imports from the EU between January 2015 and 2017 with the liberalisation of the highest tariff items (20%) is deferred until 2021 and 2022.

4 ANALYSIS OF TRADE AND WELFARE IMPACTS

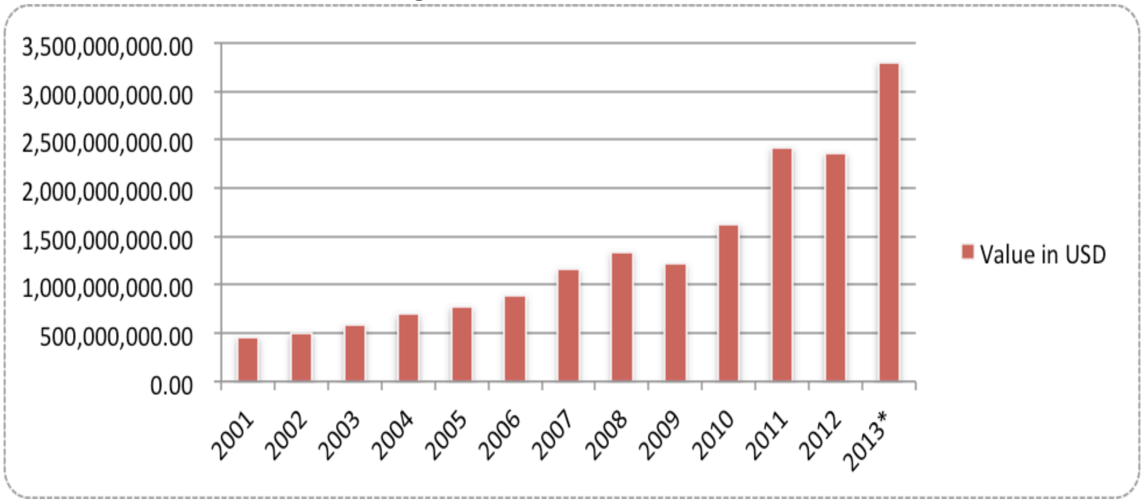
The current EPA under ECOWAS political validation provides duty-free and quota-free access to the EU market for an unlimited period for all imports originating in Ghana. In return, Ghana and other West African countries gradually liberalize 75% of their imports from the EU over 20 years.[17] It has been argued that this asymmetric opening of the Ghanaian market to European goods takes into account the different level of development between Ghana and the EU to the extent that it affords enough flexibility to protect sensitive sectors as well as to preserve fiscal revenues and also give the country enough time to put in place the necessary reform packages to enhance industry competiveness through a supportive framework of fiscal reforms and the restructuring of Ghana's weak domestic production capacity.[18] Ghana's signatory of the EPA implies the liberalization of substantial parts of trade with the EU. This has major implications for the economy through competition with EU imports in the domestic market, and declines in government revenue. Beyond the immediate direct financial impact with the loss of import tariff revenues, which is estimated to impact Ghana's fiscal position (trade balance and budget deficit) by a cumulative $1.13bn between 2008 and 2022 (2.35% of 2013 GDP), the following are the other areas which the EPAs are expected to impact:

Non-Traditional Export (NTEs) Sector

Ghana's NTEs sector has witnessed phenomenal growth over the years. According to data cited by IMANI Ghana, the total value of exports has quadrupled from approximately $500m to over $2billion between 2001 and 2012. In 2012, the sector contributed over $2bn to the country's GDP to improve the country's balance of trade. This is largely on account of the preferential trade terms given under the Cotonou Agreement and also government-donor led reform efforts such as the export development assistance development programme. To the extent that the EPA encourages more processed exports with simpler and improved 'rules of origin', which have been argued to be superior to those applicable in Cotonou and even in GSP+, particularly on the degree of tolerance afforded to non-originating inputs, then Ghana could import materials to make goods for onward export to Europe, particularly in key sectors like textiles, fisheries and agriculture.

[17] http://news.ecowas.int/presseshow.php?nb=134&lang=en&annee=2014
[18] http://www.actionaid.org/ghana/publications/ghana-under-interim-epa-research-actionaid-ghana

Figure 4.1 NTEs from Ghana



Source: Ministry of Trade and Industry cited in IMANI Ghana Report

Manufacturing Capacity and Import Competition

Ghana's industry stakeholders have voiced concerns about the impact of duty removals on imported EU goods have on local competition notwithstanding the supply side constraints. This they argue, is fundamentally at variance with Ghana's industrial policy to the extent that prospect of losing the local market to EU imports poses a threat to industries and the very existence if an industrial sector in Ghana. Despite this position not being in line with WTO rules, of which Ghana is signatory, the biggest threat to the industrial sector in Ghana at present remains cheap imports from China and the Far East as well as supply side and technological constraints, which need be addressed through effective government action such as reliable energy supply and lowering of tax bottlenecks. We are of the opinion the resolution of these policies through a well-structured industrial policy that seeks to address the major supply side constraints hindering on Ghana's competitiveness with a view of improving economies of scale and scope would go a long way to make local products compete favourably with EU imports. EU exports to Ghana are mostly semi-finished industrial products which go into the manufacture of finished products.

Smallholder Agricultural Development

In order to protect sensitive sectors, a number of agricultural and non-agricultural products, such as chicken, tomatoes, sugar, cereals and flour, frozen fish, tobacco, beer and industrial plastics, have been excluded from liberalization. In terms of trade volumes, around 35% of EU exports into Ghana are already liberalized or nearly liberalized. Thus, only an additional 40% of imports to be liberalize and the reductions of duties will be done gradually over several years to keep the initial revenue loss small and spread the impact over many years. Imported EU food items which already incur tariffs are considered sensitive products and remain within the exclusion list of the Market Access Offer (MAO) of items prevented from any tariff liberalization. Hence, Ghana can still impose already existing tariffs or even increase them for anti-dumping reasons subject to reviews with the EU. Foodstuffs and Beverages imported from the EU, representing about 4.7% of total exports falls within the 25% Exclusion list, and thus will incur import duties. Under the iEPA, about 1,038 items were excluded from liberalization, 32.5 percent of which are agricultural products already covered by WTO rules. About 85 percent of the excluded items attract the highest tariff band of 20 percent, while 10 percent are within the 10 percent tariff band (ActionAid Report, 2013).

5 CONCLUDING REMARKS AND RECOMMENDATIONS

We are of the opinion that the EPAs, which at the macro level which provides 100% duty free and quota free access to EU markets for ECOWAS/ACP countries and a reverse 75% market access for EU goods and services over an asymmetric 20 year period will be good for Ghana under the following conditions:

1. Ghana needs to set up a surveillance device and/or monitoring systems for selected products at the first point of entry at our ports. This will enable us to easily collect information (price, quantity and others) for anti-dumping purposes as the country can still suffer from adverse competition through lower prices from EU goods.
2. We need to know the mechanisms through which the EU has proposed it would be removing export subsidies. This is against the backdrop that we lack the capacity to independently determine this. The question that arises is: how does one know if these are actually removed as subsidies come in several forms (in fact or in law)? To this extent, we propose the government trains and retains more trade lawyers, policy analysts and economists as well as tap from the extensive diasporan pool of trained trade experts such as those trained under the Government of Switzerland scholarship scheme to assist with the analysis and make sound independent policy recommendations.
3. Ghana needs to get its industrial and manufacturing policy right: any good industrial policy will have at its core the promote value addition for local consumption especially our agricultural produce, diversified exports for both regional and international markets, and protect nascent industries in which the country has comparative and competitive advantages. A lot of products from the agricultural and manufacturing sub-sectors are excluded from the iEPAs, thus, we can leverage on these in the medium term spanning 5-10 years if we are serious about developing a diversified export base. Critical to this is the availability of reliable energy supply (about 5,000MW) for both domestic and industrial consumption in the peri-urban areas.
4. Promote local value addition and pay serious attention to capacity building. Key institutions such as the Ghana Standards Authority (GSA), Association of Ghana Industries (AGI), National Board for Small Scale Industries (NBSSI), The Food and Drugs Authority (FDA); BUSAC Fund; Ghana Export Promotion Authority, etc would need to increase their support towards entrepreneurs to ensure the integrity and safety of products emanating out of the value chain remain intact and at the lowest transaction cost so as to ensure positive returns on their investments.
5. Some of the provisions under the iEPA agreement indeed are inimical to Ghana’s economic interests and need to be reviewed. These are especially those bordering on the enactment of

consultative processes before the elimination of export taxes[19]; the standstill provisions which stipulate that no new tariffs can be introduced and once eliminated these tariffs may not be re-imposed or increased; the rules of origin clause which defines goods which qualify as Ghanaian products and therefore can access the EU market as those whose inputs originate from another country which has also signed an iEPA; most favoured nation (MFN) clause requiring parties to extend to each other the same treatment should one of them conclude a free trade agreement with any other developed or non-EU country or grouping which is a major trading economy[20]. The question that arises is to what extent does this affect South-South trade especially given the growing dominance of Chinese and other Asian countries in Ghana and on the continent at large?

6. We are of the opinion that our biggest worry should not be the EU per se or the EPAs, but the cheap and sometimes substandard Chinese finished goods ranging from textiles to toothpick, which are choking our markets and killing people en-masse with their ancillary health problems which come through non-conformist trade regimes and without recourse to WTO rules.

In summary, though the objectives of the EPA are simple with regard to increasing productive investments and job creation in Ghana and West Africa, as well intensifying and facilitating trade between Ghana (and the ECOWAS region) and the EU towards a win-win developmental relationship; the attainment of these noble objectives cannot be attained without serious commitment to reforming the business environment especially the supply side constraints many businesses grapple with on a day to day basis. The EPA would, in effect, provide free access to the EU market of 500 million people for all products from Ghana thus providing a lot of scope for economies of scale and scope. It also conforms to meeting WTO rules, unlike the system operating under the Cotonou agreement; therefore, would save all parties from unnecessary legal challenges.

6 ACKNOWLEDGEMENTS

All comments and suggestions on the paper from members of GGDP is greatly appreciated especially the interest that members have shown in this subject matter. We would like to thank all members of GGDP who have contributed to this paper. We are also indebted to Peter Joy Sowernoo who peer-reviewed the paper and provided useful comments and recommendations. Nana Baah Gyan did the layout of this paper.

7 REFERENCES

ACTIONAID, 2013. *Ghana under the Interim Economic Partnership Agreement with the European Union: Implications on Socio-Economic Development*. Available [Online] http://www.actionaid.org/sites/files/actionaid/actionaid_ghana_research_-

[19] The consultative process is with respect to the introduction of new or increases in existing export taxes as specified under Article 16 of the iEPA. We are checking to see how the text is crafted under the WA-EU EPA. Under CARIFORUM (Article 14) although there is call for elimination there are transitional periods for some countries.

[20] What constitutes a 'major trading economy' is defined to include any country or group of countries that accounts for more than 1% or 1.5% respectively of world merchandise exports

_ghana_under_interim_epa_and_implications_for_socio-economic_development.pdf [Accessed: 15 July 2014]

BORTOLOT, A.I., 2003. "Trade Relations among European and African Nations". In Heilbrunn Timeline of Art History. New York: The Metropolitan Museum of Art. Available [Online] http://www.metmuseum.org/toah/hd/aftr/hd_aftr.htm [Accessed: 30 June 2014]

CEPA, [n.d.]. *A Review of the Interim Economic Partnership Agreement between Ghana and the European Union.* Available [Online] http://cepa.org.gh/researchpapers/Ghana74.pdf [Accessed: 15 July 2014]

DOGBEVI, E.K., 2012. *Ghana to Lose $378million if Country Signs EPA with EU-Group. Third World Network Africa*. Available [Online] http://twnafrica.org/fr/index.php/publication/gender-a-economic-policy-digest/641-ghana-to-lose-378m-if-country-signs-epa-with-eu-group [Accessed: 15 July 2014]

EU COMMISSION,[n.d.] *The EU's new Generalised Scheme of Preferences*. Available [Online] http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/ [Accessed: 15 July 2014]

……………………………., 2008. *ACP Market Access Outlook*. Available [Online] http://trade.ec.europa.eu/doclib/docs/2007/december/tradoc_137335.pdf [Accessed: 15 July 2014]

IMANI GHANA, 2014. *IMANI Report: Evidence-based support for Ghana to RATIFY the EPA*. Available [Online] http://www.imanighana.com/2014/04/imani-report-evidence-based-support-for-ghana-to-ratify-the-epa/ [Accessed: 15 July 2014]

IMF, 2014. Article IV Consultation—Staff Report; Press Release; And Statement By The Executive Director For Ghana. *IMF Country Report No. 14/129.* Available [Online] http://www.imf.org/external/pubs/ft/scr/2014/cr14129.pdf [Accessed: 15 July 2014]

MEYN, M., 2008. Economic Partnership Agreements: A 'historic step' towards a 'partnership of equals'? *Overseas Development Institute. Working Paper 288.* Available [Online] http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/1714.pdf [Accessed: 30 June 2014]

OVERSEAS DEVELOPMENT INSTITUTE, 2006. *Economic Partnership Agreements (EPAs): Where We Are*. Available [Online] http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/2588.pdf [Accessed: 30 June 2014]

PATEL, M., 2007. *Economic Partnership Agreements between the EU and African Countries: Potential Development Implications for Ghana.* Available [Online] http://www.realizingrights.org/pdf/EPAs_between_the_EU_and_African_Countries_-_Development_Implications_for_Ghana.pdf [Accessed: 15 July 2014]

Appendix

EU Trade with Ghana: Trade flows by HS section 2009 - 2013															
	Imports (€m)					Exports (€m)					Trade Balance [Exports - Imports] (€m)				
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
Live animals; animal products	18	16	20	18	10	47	87	122	150	180	29	71	102	132	170
Vegetable products	92	107	140	135	151	28	32	38	46	42	-64	-75	-102	-89	-109
Animal or vegetable fats and oils	17	19	25	20	23	15	24	26	30	30	-2	5	1	10	7
Foodstuffs, beverages, tobacco	857	1,161	1,441	1,352	1,057	93	130	146	182	204	-764	-1,031	-1,295	-1,170	-853
Mineral products	35	49	1,654	1,602	1,910	125	351	632	1,155	1,167	90	302	-1,022	-447	-743
Products of the chemical or allied industries	0	0	0	1	1	199	262	319	331	314	199	262	319	330	313
Plastics, rubber and articles thereof	11	26	34	22	27	53	72	87	97	89	42	46	53	75	62
Raw hides and skins, and saddlery	0	0	0	0	0	1	1	3	4	6	1	1	3	4	6
Wood, charcoal and cork and articles thereof	48	51	51	42	36	1	2	1	2	3	-47	-49	-50	-40	-33
Pulp of wood, paper and paperboard	0	0	0	0	0	43	70	65	47	70	43	70	65	47	70
Textiles and textile articles	1	1	1	1	2	82	78	90	91	90	81	77	89	90	88
Footwear, hats and other headgear	0	0	0	0	0	3	4	5	5	5	3	4	5	5	5
Articles of stone, glass and ceramics	0	0	0	0	0	18	18	22	29	30	18	18	22	29	30
Pearls, precious metals and articles thereof	7	13	12	12	16	0	1	1	1	1	-7	-12	-11	-11	-15
Base metals and articles thereof	7	11	76	68	77	151	201	155	168	123	144	190	79	100	46
Machinery and appliances	6	13	10	12	15	630	519	762	732	663	624	506	752	720	648
Transport equipment	1	1	1	1	32	162	211	325	371	297	161	210	324	370	265
Optical and photographic instruments, etc.	1	2	3	10	2	44	36	47	61	58	43	34	44	51	56
Arms and ammunition	0	0			0	3	2	0	0	3	3	2	0	0	3
Miscellaneous manufactured articles	2	0	0	0	0	22	23	25	34	35	20	23	25	34	35
Works of art and antiques	0	0	0	1	0	0	0	0	0	0	0	0	0	-1	0
Not classified	2	4	12	5	6	35	26	55	75	28	33	22	43	70	22
Total	1,105	1,474	3,480	3,302	3,365	1,755	2,150	2,926	3,611	3,438	650	676	-554	309	73