Trade Deals and Reforms in West Africa: Implementation Challenges

by Sanoussi Bilal and Isabelle Ramdoo*

The adoption of the Common External Tariff by the Heads of States Summit of the Economic Community of West African States (ECOWAS), in October 2013, marked a major milestone in the deepening of West African integration. Due to become operational in January 2015, the ECOWAS CET took 10 years to negotiate among the 15 ECOWAS members. It builds on and is meant to replace the four-band CET of the West African Economic and Monetary Union (UEMOA), in placed since 2000.

The timing of the adoption of the ECOWAS CET, and partly its structure, was also significantly influenced by the parallel negotiations between ECOWAS (plus Mauritania) and the European Union (EU) on a new regional free trade deal, the economic partnership agreement (EPA). The result being that both internal and external factors have shaped the regional integration process of ECOWAS.

Similarly, the adoption of the ECOWAS CET paved the way for the soon after conclusion of the ECOWAS-EU EPA, the first African region to conclude and officially endorse a regional EPA on 10th July 2014.

The CET and the EPA, together with the completion of the liberalization process towards an internal free trade area in ECOWAS – the so-called ECOWAS Trade Liberalisation Scheme (ETLS), are the three major trade policy evolutions that will have a combined impact on the region and its people.

What does it mean in principle?

The ECOWAS CET means that all ECOWAS countries should apply the same customs regime to all goods coming from outside ECOWAS, irrespective of their origin. Except for EU goods, most of which, but not all (see below) should ultimately (i.e. in some years) be able to enter ECOWAS duty free. As for the trade between ECOWAS members, it should also be mostly liberalized. So, what does this mean in practice?

What's up with the CET?

The CET comprises five bands: a rate of 0% average duty for essential social goods (85 tariff lines); 5% duty for goods of primary necessity, raw material and specific input (2146 tariff lines); 10% duty for inputs and intermediate goods (1373 tariff lines); 20% duty for final consumption goods (2165 tariff lines); and a fifth band, which involved tough bargaining, to accommodate protectionist pressures for few sensitive products, at a 35% duty rate for specific goods for economic development (130 tariff lines). There are also some special protection measures, safeguards and ad hoc exemptions, to provide some flexibility and facilitate adjustments, notably in terms of revenue losses, such as import adjustment tax and the complementary protection tax, or the 1.5% community levy to finance ECOWAS institutions. The adoption of the CET will change the level of protection, and revenues from duties, for a number of products and countries. Given the heterogeneity of ECOWAS countries (in terms of size, economic structure, revenue), the impact of the CET is likely to be felt differently by different countries and different groups of the populations. Farmers' organisations, in UEMOA in particular, have complained that the implementation of the CET could have serious adverse effects on the more vulnerable among them, leaving them without sufficient protection (e.g. in milk at 5% and rice at 10%). Yet, the ECOWAS CET rates on agriculture are mostly similar to those under the UEMOA CET, with a slight increase in most chapters, and a more significant increase in products such as poultry, beef and pork value chains (though some other products such as live animals, coffee, tea and spices have a slight decrease).

There are no comprehensive assessments yet on the impact of the CET on West Africa economies. Much will depend on the way the CET is operationalized. According to recent studies by the World Bank, the CET could have significant positive effects on Nigeria - the dominant economy in West Africa, for consumers and producers. But some might be negatively affected (mainly in the textile and apparel sectors). But the Nigerian business associations have warned against the possible negative effects of the CET on local businesses, which combined with other economic and political turmoil, could create serious challenges to the domestic economy. Ghana estimates that it stands to gain additional revenue from the CET. So would Ebola-hit Liberia, though rural households could be negatively affected.

In any case, implementation of the CET and accompanying adjustments will remain a key challenge. So much so that its implementation, due to start in January 2015, has already been delayed.

An EPA after all?

EPA negotiations were based on ECOWAS´s own integration process, using the Common External Tariff (CET)[1] as a basis for the tariff phase down. The formal adoption of the CET was thus an essential condition for the conclusion of an EPA by ECOWAS. EPA negotiations had started with ECOWAS in 2013, and as they could not be completed by the end of 2007, the date at which the unilateral preferences by the EU to the African, Caribbean and Pacific (ACP) countries under the Cotonou Agreement expired, Cote d'Ivoire and Ghana opted to conclude individual interim EPAs with the EU. But EPA negotiations continued at the regional level with the EU. Ultimately, the EU decided to set a deadline of 1st October 2014 for interim EPAs to start being effectively implemented, or for a regional ECOWAS EPA to be concluded, in the absence of which Cote d'Ivoire and Ghana would lose their duty-free quota-free market access to the EU. If either of them had started to implement their interim EPA, they would have prevented the formation of an ECOWAS customs union.

The pressure was thus on ECOWAS to preserve its regional unity and find a common outcome to the EPA negotiations. This has been a fundamental factor in the adoption of an ECOWAS CET in October 2013 and the soon after conclusion of an ECOWAS-EU EPA, officialized in July 2014. The two processes have been conducted in parallel, by the same group of technical experts and policy makers, at national and regional levels. In this regard, the EPA process may have contributed to support, and perhaps even speed up, the formation process of an ECOWAS customs union.

ECOWAS, as a region, has committed to liberalizing 75% of its tariff lines, based on its CET, over a period of 20 years. Products are classified in four categories and liberalization will be gradual. The list of exclusion covers a wide range of products ranging from agricultural goods to industrial goods currently being produced or expected to be produced as ECOWAS countries move up the industrial ladder. These include, inter alia; meat and meat products, fish and fish products, vegetable products, cereals, cocoa and cocoa preparations, pasta, cement, textiles and apparel, paint and varnish.

In addition, the agreement contains safeguards and other flexible provisions.

The concluded EPA has the main benefit of preserving ECOWAS unity. It is a rather traditional, goods-only, shallow agreement, with strong asymmetry and some flexibility. Its impact is likely to be small, with possible negative effects concentrated on a few countries, sectors and categories of households. But given the numerous other challenges in the region, and combined with the CET and ETLS implementation task, careful attention must be given to the necessary adjustments and accompanying measures that should be put in place to facilitate the operationalization of these new trade deals and reforms to effectively promote the sustainable and inclusive structural transformation of West Africa.

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1 The ECOWAS CET was adopted in October 2013, to come into effect on 1st January 2015.

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