

**TRADING PREFERENTIALLY: AN ANALYSIS OF GHANA- EUROPEAN
UNION (EU) TRADE UNDER THE ECONOMIC PARTNERSHIP
AGREEMENT (EPA)**

By

GBEDOAH, Richard

THESIS

Submitted to

KDI School of Public Policy and Management

In Partial Fulfillment of the Requirements

For the Degree of

MASTER OF PUBLIC POLICY

2017

**TRADING PREFERENTIALLY: AN ANALYSIS OF GHANA- EUROPEAN
UNION (EU) TRADE UNDER THE ECONOMIC PARTNERSHIP
AGREEMENT (EPA)**

By

GBEDOAH, Richard

THESIS

Submitted to

KDI School of Public Policy and Management

In Partial Fulfillment of the Requirements

For the Degree of

MASTER OF PUBLIC POLICY

2017

Professor Sherzod
SHADIKHODJAEV

**TRADING PREFERENTIALLY: AN ANALYSIS OF GHANA- EUROPEAN
UNION (EU) TRADE UNDER THE ECONOMIC PARTNERSHIP
AGREEMENT (EPA)**

By

GBEDOAH, Richard

THESIS

Submitted to

KDI School of Public Policy and Management

In Partial Fulfillment of the Requirements

For the Degree of

MASTER OF PUBLIC POLICY

Committee in charge:

Professor Sherzod SHADIKHODJAEV, Supervisor



Professor Sung-Joo LEE



Professor Siwook LEE



Approval as of May, 2017

ABSTRACT

TRADING PREFERENTIALLY: AN ANALYSIS OF GHANA- EUROPEAN UNION (EU) TRADE UNDER THE ECONOMIC PARTNERSHIP AGREEMENT (EPA)

By

This paper investigates Ghana-EU trade under the new Economic Partnership Agreement (EPA). The study seeks to examine the influence of the EPA on trade from the Ghanaian perspective. Using qualitative methods, focusing on review of trade literature from Eurostat, European Trade Commission, and Ghana's Ministry of Trade and Industry and other relevant sources, analysis is made to highlight impacts of the trade agreement on Ghana's trade sectors. Trade Data from 2005 to 2015 has been utilized in making analyses. The study finds that although the agreement has improved measures aimed at trade facilitation and in extension services trade, it is posing negative effects to trade in goods. Inability of Ghanaian producers to compete with European imports threatens the industry. Also, the exclusion list of Ghana is inadequate in protecting agricultural trade, especially in the absence of tariff measures. Finally, a regional EPA is likely to worsen Ghana's competitive position in the regional market. Taking these findings together with the decreasing attractiveness of the EU market for Ghanaian exporters, the paper recommends a review of the terms of the EPA. The study also recommends enhanced commitments and efforts from the EU (aid) to help transcend the tariff losses and other adjustment costs associated with the EPA.

KEYWORDS: Preferential Trading Agreement, Standstill Clause, General System of Preferences, Exclusion List, ECOWAS.

DEDICATION

This work is dedicated to my family, especially Mr. and Mrs. Raymond Gbedoah. And to Mr. Victus Dzareh Dzah, for making my study in KDI School possible.

ACKNOWLEDGEMENT

My deepest gratitude goes to God for the gift of life and the limitless opportunities given.

I wish to express my sincerest gratitude to Professor Sherzod Shadikhodjaev, my supervisor and research seminar advisor. Under his invaluable guidance and mentorship, this work was realized.

Appreciation also goes to Professors Lee Sung- Joo and Kim Byoung Joo for their guidance and insights during my stay in the KDI School.

To all friends and colleagues at the KDI School, I say thank you for your advice and encouragement.

TABLE OF CONTENTS

TABLE OF FIGURES.....	v
LIST OF ABBREVIATIONS	vi
CHAPTER ONE	1
1.0. Introduction.....	1
1.2. Hypothesis.....	5
1.3. Methodology	5
1.4. Significance of Study.....	6
CHAPTER TWO	8
LITERATURE REVIEW AND THEORETICAL FRAMEWORK	8
2.1. General Issues on Regionalism	8
2.1.1 Arguments on Multilateralism.....	9
2.1.2. Proponents of Bilateralism/ Regionalism.....	11
2.2. Specific Issues on ACP- EU and the EPA	14
2.2.1. The Economic Partnership Agreement (EPA)	14
2.2.2. European Union’s Perceptions on the EPA	15
2.2.3. Effects of the EPA	17
2.3. Theoretical Framework.....	22
2.3.1 Preferential Trading Arrangements.....	22
2.3.2. Developing Countries and PTAs.....	23
CHAPTER THREE	26
THE GHANA- EU EPA	26
3.0. History of Ghana- EU Trade Relations.....	26
3.1. The Ghana-EU EPA	27
3.2. Why the Economic Partnership Agreement?.....	30
3.3. The EPA and Welfare Implications	35
3.4. The EPA and Tariff Liberalization	36
3.5. The EPA and Ghana Government Revenues	39
3.6. Revenue Loss and Consumer Welfare	41
3.7. The EPA and Trade Diversion.....	42
3.8. The EPA and Ghana’s Manufacturing and Industrial Sector	42
3.9. The EPA and Trade in Agriculture.....	45
3.10. Service Trade under the EPA	46
3.11. The EPA and Additional Issues	48

CHAPTER FOUR.....	51
CHALLENGES AND OPPORTUNITIES UNDER THE EPA.....	51
4.0. Introduction.....	51
4.1. Challenges to the Ghana- EU EPA.....	51
4.1.1. Complications in Negotiating a Comprehensive Regional EPA.....	52
4.1.2. The EPA and Regional Integration.....	52
4.1.3. The EPA and Industrialization.....	53
4.1.4. The EPA and Depreciating Market Access.....	54
4.1.5. Aid for Trade? And Investment.....	55
4.2. Opportunities Provided through the EPA.....	56
4.2.1. Investment.....	56
4.2.2. Reduced Trade Shocks.....	57
4.2.3. Wider Developmental Reforms.....	57
CHAPTER FIVE.....	58
SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	58
5.0. Introduction.....	58
5.1. Summary of Findings.....	58
5.2. Conclusions.....	60
5.3. Recommendations.....	62
REFERENCES.....	65
APPENDIX A- Ghana’s Trade with ECOWAS and EU’s Trade with Ghana.....	68
APPENDIX B- (Ghana’s Exclusion List).....	69
APPENDIX C (I)- Ghana –EU Trade Statistics.....	72
APPENDIX C (II) - Ghana –EU Trade Statistics.....	73
APPENDIX D- Ghana’s Trade with the World (Statistics).....	74

TABLE OF FIGURES

Table 1 The EPA Negotiating Groups Prior to Ghana Signing an Individual EPA (iEPA)	28
Table 2 The European Union's Exports to Ghana (Ghana's EU Imports)	29
Table 3 Imports of the European Union from Ghana (Ghana's EU Exports).....	30
Table 4 Conditions Facing Ghana's Trade in the Absence of an EPA	32
Table 5 Ghana's Main Exports to the EU and Respective Tariff Rates Under the EPA and GSP, 2014	33
Table 6 Ghana's Exports to the EU that are affected by High Tariffs without an EPA (during period of negotiations).....	34
Table 7 Ghana's Liberalization Schedule	37
Table 8 Summary of Ghana's Exclusion List.....	38
Table 9 European Union Trade with Ghana (2005- 2015).....	39
Table 10 Tariff Revenue Estimates, with and without an EPA.....	41
Table 11 EU- Ghana Trade Product Breakdown	44
Table 12 Growth of Non Traditional Exports (NTE) from Ghana.....	45
Table 13 Percentage Shares of Economic Sectors in Ghana.....	47
Table 14 Sector Distribution and Growth in Ghana (Showing Service Sector Growth)	48

LIST OF ABBREVIATIONS

ACP	African, Caribbean and Pacific
ADB	Asia Development Bank
ASEAN	Association of South East Asian Nations
BUSAC	Business Advocacy Challenge Fund
CARIFORUM	Caribbean Forum
CIP	Composite Index of Industrial Performance
COMESA	Common Market for East and Southern Africa
CU	Customs Union
EBA	Everything But Arms
ECA	East African Community
ECDPM	European Centre for Development Policy Management
ECOWAS	Economic Community of West African States
EDAIF	Export Development and Agriculture Investment Fund
EDF	European Development Fund
EU	European Union
DDA	Doha Developmental Agenda
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
LDC	Least Developed Country
MAO	Market Access Order
MFN	Most Favoured Nation
NAFTA	North American Free Trade Agreement
ODI	Overseas Development Institute
PTA	Preferential Trade Agreement/Arrangement

SACU	Southern African Customs Union
SADC	South African Development Community
TRAQUE	Trade Related Assistance and Quality Enabling Program
TWN	Third World Network
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organisation
WTO	World Trade Organisation

CHAPTER ONE

1.0. Introduction

Hailed as the new form of trade partnership between the European Union (EU) and the African, Caribbean and Pacific (ACP) group of countries, the Economic Partnership Agreements (EPA) from the onset of negotiations has been confronted with disagreements.¹

The EPA, aimed at safeguarding the preferential market access of the ACP countries to the EU Market which was previously granted under the Lomé Convention and Cotonou Agreement. However, this agreement changes the non-reciprocal market access to the EU (ACP- specific GSP waived from GATT under the Lomé Convention) to a reciprocal Free Trade Agreement (FTA).² This implies that the ACP countries are required to open their markets to EU imports. Further market opening in new areas including investment, services etc. grants the EU market access in these areas of the ACP country markets.

Disagreements among ACP countries on the extent of market access granted and implications of the EPA on the development of regional markets, effects on trade competing sectors of the ACP states and other implications on the developmental process of states, amongst other factors has led to a slow pace of the agreement taking effect in many ACP countries.

¹ The EPA negotiations since 2002 has been confronted with internal challenges among ACP member countries. These disagreements revolve around arbitrary timelines imposed by the EU negotiators as well as intense demonstrations by stakeholders against signing the agreement. January 7th- 8th marked a period of intense demonstrations in several African country capitals, with protestors in Dakar, the Senegalese capital numbering over 50,000. The disagreements and challenges further revolve around perceived inherent disadvantages associated with the agreement and refusal of some African countries to negotiate. For more information, see: Mohammed, O.A.G (2016) The EU- Africa Economic Partnership Agreement: Any Way Out? *International Affairs and Global Strategy*. Vol 45. <http://www.iiste.org/Journals/index.php/IAGS/article/view/31022>

² Hinkle, L., Hoppe, M., & Newfarmer, R. (2005). Beyond Cotonou: Economic Partnership Agreements in Africa' in *Trade, Doha, and Development-A Window into the Issues*.

This study examined the policy implications of the EPA on Ghana, one of the earliest African countries that initialed the agreement in June 2014. It examined the EPA's implications on exporters to the EU market, trade competing sectors of Ghana and its overall implications on trade between Ghana and the EU (Ghana's second largest trading partner). Analyses examined whether the EPA addresses fundamental challenges facing Ghana, such as weak productive capacities, and the implications of opening Ghana's service industry.

1.1. Background of Study

Motivations for the EPA began from the need to find a WTO compatible trade agreement between the EU and ACP countries. The non-reciprocal trade deal i.e. the Lomé Convention, was operated under a waiver from the WTO (WTO waivers are required to depart from the MFN principle and grant preferential access to developing economies before the Enabling Clause was established as a permanent waiver).³ However, this waiver was challenged by Latin American banana producers, who argued that the EUs trade preferences were neither restricted to LDCs nor available to other eligible developing countries. Recognising these arguments, the WTO granted the EU its last waiver at the Fourth WTO Ministerial Conference in Doha. This waiver was extended to December 2007, thus raising the need to negotiate a new trade regime between both partners. This motivation together with the EU's new trade strategy influenced the move towards a reciprocal trade agreement.

The Cotonou Agreement, concluded in June 2000, was intended to provide a framework for transition, that is, from the Lomé Convention to the EPA. This transitional agreement was to enable ACP countries to negotiate a trade agreement that is compatible

³ The EU required a waiver to grant preferential access to ACP countries, as the Lomé Agreement did not meet requirements for a GSP. For more information on the Lomé and Cotonou Agreements, please see: Curran, L., Nilsson, L., & Brew, D. (2008). The Economic Partnership Agreements: Rationale, Misperceptions and Non-trade Aspects. *Development Policy Review*, 26(5), 529-553.

with WTO rules, before the deadline of the last waiver in December 2007. The ACP countries thus started negotiations in September 2002, working towards reaching a new trade deal i.e. the EPA. The ACP countries accordingly started negotiations based on regional groupings i.e. Economic Community of West African States (ECOWAS), South African Development Community (SADC), East African Community (ECA) and the Common Market for East and Southern Africa (COMESA) amongst others. However, differences in the economic conditions of regional countries i.e. LDCs and developing countries, coupled with differences in their exports to the EU market posed challenges. The ability of the LDCs to continue enjoying market access granted under the ‘Everything but Arms’ (EBA) while maintaining their tariffs on EU products, and the unwillingness of regional oil exporters to lose their tariff margins negatively affected regional negotiations.⁴

In addition to the challenges faced during the negotiation process, there were strong criticisms from stakeholders on the ability of the EPA to address developmental challenges that were faced by ACP states.⁵ In Africa, these criticisms revolved around perceived disadvantages inherent in the trade agreement. Questions surrounding the ability of African negotiators to conclude satisfactory deals in the interest of the continent, as well as perceived arbitrary timelines set by the EU towards signing the agreement further eroded the confidence of stakeholders.⁶ All these challenges led to a significant number of African countries failing to sign the EPA.

⁴ For more information on the likely effects of the EPA on ACP countries, see the work of Busse and Grobmann that discusses the impacts and hesitations of ACP countries to sign the agreement. Busse, M., & Großmann, H. (2004). *Assessing the Impact of ACP/EU Economic Partnership Agreement on West African Countries* (No. 294). Hamburg Institute of International Economics (HWWA).

⁵ For in-depth view on the challenges of the EPA and stakeholder perceptions, see the OECD’s document entitled: EU-Africa Trade Relations: The Political Economy of Economic Partnership Agreements. Retrieved from: <http://www.oecd.org/dev/38780784.pdf> on October 18th 2016.

⁶ Goodison (2007) examines the EPA from the perspective of the EU. He asserts that the EUs push towards internal trade reform, aimed at achieving deeper liberalization at bilateral levels, as against difficulties in the

Notwithstanding these challenges, Ghana, in an attempt to protect market access for businesses concluded an interim EPA in October 2008, and later signed the agreement on July 2014 (ratified on July 2016). This makes Ghana one of the few countries exposed to the effects of this change from a preferential market access to a reciprocal market access.

Considerable number of studies have been conducted into the effects of the EPA on ACP and African economies. Mc Kay, Milner & Morrissey (2000) examined welfare impacts of the EPA on East African economies. They argue that the possibility of lower import prices will translate into lower consumer prices and hence positive welfare effects for consumers.⁷

Other existing literature on the EPA focuses on regional studies. These research policy papers include studies conducted by scholars such as Hinkle and Schiff (2004), Busse and Grobman (2004, 2007), Karingi et al (2005), Goodison (2007), De la Rocha (2007) and Heron (2011). All these writers attempted to demonstrate challenges posed by the EPA to regional integration, and fiscal revenues of ACP countries. Thus, these analyses present a negative outlook on the EPA, a perception that reinforces the negative criticisms from stakeholders. Although literature on the EPA is extensive, conspicuously limited are studies that examine how the EPA is likely to affect individual countries. This gap is likely to stem from the limited number of countries that have signed unto the agreement and the limited duration of the agreement coming into effect in some of these countries. Thus the need to study the impacts the agreement is likely to have on individual signatory countries.

WTO multilateral motivated the EPA. He asserts that this deeper integration through binding agreements led to push by negotiators, regardless of capacity of ACP negotiator capacities, as well as setting arbitrary timelines. For more, see: Goodison, P. (2007). EU trade policy & the future of Africa's trade relationship with the EU. *Review of African Political Economy*, 34(112), 247-266.

⁷ McKay, A., Milner, C., & Morrissey, O. (2000). *The Trade and Welfare Effects of a Regional Economic Partnership Agreement*. Centre for Research in Economic Development and International Trade, University of Nottingham.

This research examined and describes the impacts of the change from a GSP to a reciprocal trade relation (EPA) on Ghana's trade with the EU. The research shifts the focus from generalizations on sub-regional effects, to how it specifically relates to a signatory state .i.e. Ghana. Additionally, the research focused on how the EPA addresses fundamental challenges facing Ghana, such as weak productive capacities, as well as the implications of opening Ghana's service industry to the EU. To achieve these aims, the study specifically:

- a. Examined trends in Ghana's trade with the EU before and after signing the EPA
- b. Analysed the impacts of a change from a unilateral to a reciprocal trade agreement
- c. Examined ways in which the EPA affects export and import sectors of trade

In order to achieve these objectives, the paper answers the following research questions:

- a. What are the differences in the change from a GSP to a reciprocal trade agreement?
- b. What potential trade benefits are Ghana likely to gain from the trade agreement with the EU?
- c. What challenges are posed by the EPA to Ghana- EU trade?

1.2. Hypothesis

H1: The Economic Partnership Agreement positively improves Ghana's trade with the EU.

H2: The Economic Partnership Agreement negatively affects Ghana's trade competing sectors.

1.3. Methodology

This research relied heavily on secondary data. Research papers on the topic (EPA), Ghana-EU trade data and other significant data bases were explored. The European Commission trade databases, the United Nations Conference on Trade and Development (UNCTAD) and other international trade data bases were consulted.

Trade data from respective ministries in Ghana, including the Ministry of Trade and Industry, Ghana Exports Promotion Council etc. were utilized for this study. Research works from these institutions added additional dimension to the work.

These documents were subjected to content analysis to demonstrate how the EPA has affected trade patterns between the EU and Ghana. The content analysis focused on trade competing sectors of Ghana such as the agricultural sector, service and industries. These sectors were chosen because they are most likely to be affected by the trade agreement .i.e. likely to suffer trade losses.

The remainder of the research is organised as follows. Chapter two examined existing literature on the research as well as explored the conceptual framework underpinning the study. This demonstrated previous work on the subject, as well as highlighted the gap in existing literature. Chapter three focused on Ghana- EU trade under the EPA. The trade agreement and its tenets, as well as relationship with trade sectors etc. are examined in this chapter. Chapter four discussed the challenges the EPA imposes on Ghana's trade with the EU and other trade partners. This chapter also detailed the benefits to trade under the EPA, not previously discussed in the preceding chapters. The final chapter summarised the major points discussed, concludes the research, as well as offers policy recommendations.

1.4. Significance of Study

The significance of this research lies in its efforts to identify the policy implications of a shift from non-reciprocal to a reciprocal trade agreement. It attempts to offer deeper understanding on trade policy implications and how these effects directly relate to Ghana-EU trade. Thus the work can be a policy reference to stakeholders in the trade industry.

The research seeks to advice on how the EPA will affect trade, and how to mitigate these challenges. A work of this nature can also be used as a reference material for trade policy students, as well as individuals who desire to undertake further research on Ghana-EU trade, and the EPA in general. The work can also be used as policy reference material for other West African countries in the process of EPA negotiations.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.0. Introduction

This chapter is divided into two broad discussions:

- i. The Literature review – this encompasses discussions on two major areas .i.e. part one (General issues on regionalism) and part two (Specific issues on the ACP-EU relations and the EPA)
- ii. The Theoretical framework.

2.1. General Issues on Regionalism

The debate on the importance of Preferential Trade Agreements (PTAs) have been divided. Whereas one camp of scholars .i.e. supporters of bilateralism argue that PTAs increase trade and wealth between countries, and improve welfare benefits of member countries, the other camp .i.e. multilateralism and its proponents are opposed to the proliferation of PTAs. This camp's major argument suggests that, proliferation of PTAs undermine efforts at multilateralism .i.e. collective trade liberalization through negotiations at the WTO. As such, the deadlock of the current Doha Development Round trade negotiations has been argued by the proponents of multilateralism to be partly caused by efforts at bilateralism.

Kyle Bagwell and Robert W. Staiger in *An Economic Theory of GATT* examined the foundations of the international trade system through its basic principles of reciprocity and non- discrimination, and how these principles relate to PTAs. Working within a general

equilibrium trade model, Bagwell and Staiger (1999) argued that “preferential agreements undermine GATT’s ability to deliver efficient multilateral outcomes”.⁸ While conceding in their conclusion that Customs Unions (CU) built on principles of reciprocity and non-discrimination in a set of circumstances can be compatible with multilateralism, the authors demonstrated fundamental incompatibilities between FTAs and multilateralism. The authors using models, highlighted that trade agreements are preferred by governments if it allows them to transcend inefficient terms-of-trade restrictions that characterise unilateral tariff and trade policies.⁹

Using the general equilibrium model and simulations of government trade policy objectives, Bagwell and Staiger (1999) demonstrated governments’ ability to shift costs of interventions to external trade partners. GATT’s rules on reciprocity and non-discrimination have been highlighted by the authors to encourage participation of weaker countries in international trade negotiations, since these principles reduce fears of exploitation by stronger trade partners. Thus, GATTs rule-based approach to trade negotiations, contrasts with power-based approaches which may not satisfy political motivations of tariff setting in the weaker bargaining country.¹⁰

2.1.1 Arguments on Multilateralism

Krueger (1999) argued against the proliferation of PTAs. She asserted that although PTAs are likely to increase trade between the constituent parties, non-members face a higher risk of rising barriers to the markets of the PTA members. Krueger (1999) cited an example of Mexico’s trade discrimination against non-NAFTA (North American Free Trade

⁸ Bagwell, K., & Staiger, R. W. (1999). An Economic Theory of GATT. *American Economic Review*, 215.

⁹ Bagwell, K., & Staiger, R. W. (1999) demonstrate using empirical models how PTAs are preferred by governments if the welfare benefits and political considerations enable them transcends costs associated with unilateral trade policies. For in-depth analysis of their observations, see

¹⁰ Op. cit. Bagwell, K., & Staiger, R. W. (1999).

Agreement) members in 1998, against the backdrop of the 1994 financial crises. Krueger's assertions corresponds to similar arguments against bilateralism i.e. the fear of trade fragmentation resulting from the proliferation of PTAs. Thus, the possibility of trade fragmentation, diversion and trade wars amongst rival trade blocs lies beneath the arguments for multilateralism.

In extending the arguments on multilateralism, the economist Jagdish Bhagwati contended that although PTAs may create higher trade volumes among member countries, it can negatively lead to higher losses for members coming from higher initial tariffs. This loss occurs since PTAs redistribute tariffs from new members to pre-existing members with perhaps lower tariff margin.¹¹ Bhagwati further argued that ineffectual regulation of PTAs enables trade discrimination against non-members. In *Free Trade Today*, Bhagwati argued that although GATT Article XXIV attempts to protect non-members of PTAs from trade losses including discrimination; the nature of such losses he asserted, together with a lack of an effective discipline leads thirds parties to PTAs to suffer trade discrimination.¹² Bhagwati further described the proliferation of PTAs as a Spaghetti Bowl, with PTAs sprawling to form a messy maze of preferences, each with different Rule of Origin (ROOs) and their related challenges.

Jagdish Bhagwati and Anne O. Krueger in their book *The Dangerous Drift to Preferential Trade Agreements* further highlighted the challenges with PTA proliferation. The authors contended that the arbitrary and multiple Rules of Origin amongst diverse PTAs arise due to differences in external tariffs and often serve protectionist interests, thus reducing supposed benefits in PTAs. Bhagwati and Krueger (1995) further suggested that new entrants

¹¹ Panagariya, A., & Bhagwati, J. (1996). *The economics of preferential trade agreements*. AEI Press, Washington D.C.

¹² Bhagwati, J. N. (2003). *Free Trade Today* (No. 2003). Princeton University Press. New Jersey.

to FTAs join at less favourable terms, while diluting the concessions made by existing members.¹³

Richard Cooper corroborates the assertions of Bhagwati and Krueger. He indicated that the technicality and arcane details of Rules of Origin often hinder a detailed understanding of such rules.¹⁴ Thus, these rules often give rise to and become protectionist policies aimed at restricting trade. Cooper (1994) further argued that by discriminating against trading partners through the formation of RTAs with complex ROOs, a larger group of displaced traders are created, for each PTA that is formed.

2.1.2. Proponents of Bilateralism/ Regionalism

Advocates for PTAs .i.e. regionalism basically argue that PTAs are the building blocks of multilateral trade liberalization, and promote deeper liberalization amongst countries. Thus, PTAs are promoted due to their ability to encourage trade liberalization between and among the constituent members.

Chomo (2002) contended that PTAs are beneficial to developing countries by opening access to the larger markets of developed countries. She further argued that PTAs including non-reciprocal tariff reductions (GSPs) extensive phase-in periods and other safeguard measures in PTA negotiations between developed and developing countries enable the protection of trade competing sectors of the latter.

Furthermore, Chomo (2002) suggested that developing countries have potential welfare gains in negotiating PTAs with industrialized countries. She asserted that this to be

¹³ Bhagwati, J. N., & Krueger, A. O. (1995). *The dangerous drift to preferential trade agreements*. AEI Press. Washington D.C.

¹⁴ Richard N. Cooper. Comment in Schott, J. (2004). *Free trade agreements: US strategies and priorities*. Peterson Institute for International Economics.

possible due to the ability of PTA negotiations to correct the high inefficiencies and distortions that negatively affect trade in developing countries. Reducing these trade barriers as well as improvements in transparency and other measures will lead to welfare gains for developing countries. In building upon Jeffrey Frankel and David Romer's article *Does Trade Cause Growth?* Grace Chomo argued that export led industrialization represents a potential growth approach for developing economies, as such, access to the markets of industrialized economies through PTAs can be beneficial to development of the developing country.¹⁵

In *Regional and Multilateral Trade Agreements: Complementary means to open markets* Edward L. Hudgins offered an extension to Chomo's arguments on the utility of PTAs in liberalizing multilateral trade. Hudgins contended that bilateral trade liberalization through PTAs are necessary even if there is the possibility of trade diversion. He opined that bilateral liberalization can be used as a starting point to promote multilateral negotiations which involve larger numbers of members, with higher tendencies for deadlocks in negotiation process.¹⁶

Arguing from a similar position, Fred Bergsten in *Open Regionalism* proposed that FTAs should be structured around the concept of open regionalism; a concept that aims at building regional trade amongst 'natural trade partners' .i.e. states which by way of geography are inclined to trade amongst each other. This concept to Fred Bergsten should be

¹⁵ Frankel, J. A., & Romer, D. (1999). Does trade cause growth?. *American economic review*, 379-399.

¹⁶ Hudgins, E. L. (1995). Regional and multilateral trade agreements: Complementary means to open markets. *Cato J.*, 15, 231.

the guiding principle in forming PTAs. He further suggested that trade investments should be based on MFN Principle to minimise trade diversion as well as free rider problems.¹⁷

Schott (2004) asserted that the ability of FTAs to reduce/eliminate trade barriers on ‘substantially all the trade’ through deep reforms to members’ trade policies, makes PTAs desirable. He contrasts the pace of reforms negotiated through PTAs, and the slower pace of incremental reforms associated with multilateral negotiations. To Schott (2004) the relative ease of concluding trade liberalization amongst small group of countries, as against the substantial barriers and deadlocks at the WTO Ministerial, increasingly makes FTAs preferred by countries.¹⁸

Lusztig (2004) cited the benefits of FTAs such as fostering economic interdependence, creating incentives for investment as well as improving welfare benefits, through its ability to widen consumer choices. However, the author noted that these benefits are not evenly distributed, especially in terms of developing country situations. Furthermore, he noted that FTAs can dislocate local businesses through increased competition arising from the entering of foreign firms into the local market. This argument relates to the EPA and its effects on trade competing sectors of Ghana. Lusztig (2004) however concluded that free trade agreements have become the dominant strategy pursued by countries that aim at improving aggregate trade gains at a fast pace.¹⁹

In sum, the proponents of regionalism argue on the improved ability of constituent members of PTAs, especially developing countries to gain access to the markets of

¹⁷ MFN Principle in international trade states that trade concessions granted to one Member are applied immediately and without conditions to all other Members. See GATT/WTO Article I for further explanation.

¹⁸ Schott, Jeffrey J., Free Trade Agreements: Boon or Bane of the World Trading System? Cited in Schott, J. J. (2004). Free trade agreements: boon or bane of the world trading system. *Free trade agreements: US strategies and priorities*, 3(11).

¹⁹ Lusztig, M. (2004). *The limits of protectionism: Building coalitions for free trade*. University of Pittsburgh Press.

industrialized countries, as basic justification for the need of PTAs. This access gained through reduced barriers, the proponents argue can be ‘locked-in’ thus increasing the prospects of trade liberalization. This potential of PTAs makes them the building blocks for multilateral trade liberalization. These deep commitments by members towards liberalization together with the welfare benefits asserted by proponents to be inherent in PTAs lay at the foundation of arguments for bilateralism. These literature and their arguments are later examined in relation to the EPA and Ghana-EU trade.

2.2. Specific Issues on ACP- EU and the EPA

Lecomte and Bernard (1998) investigated the African Caribbean and Pacific (ACP) countries trade relationship with the European Union.²⁰ These trade relations, the authors assert, extended back to the period of the European Economic Community (EEC) and the signing of the Yaoundé I agreement (1963-1969). This agreement which aimed at improving the infrastructure of 49 ACP countries, became the foundation of future trade agreements such as Yaoundé II (1969- 1975) and later, the Lomé I - IV agreements and additional protocols.

2.2.1. The Economic Partnership Agreement (EPA)

Koné (2010) in his analysis suggested that the EPA became necessary for three main reasons. First, the need to improve economic relations between the EU and ACP countries motivated the creation of the trade agreement. According to Koné (2010), previous years of unilateral trade preferences achieved negative results among ACP countries.²¹

²⁰ Lecomte, H. B. S., & Bernard, H. (1998). *Options for Future ACP-EU Trade Relations*. European centre for development policy management.

²¹ Koné, S. (2010). Economic partnership agreement between West Africa and the European union in the context of the world trade organization (WTO) and the regional integration process. *Journal of Economic Integration*, 104-128

Marginalization of ACP countries in world trade, a fall in Foreign Direct Investments from the EU to ACP countries, and other negative trade indicators demonstrate these negative trends in trade relations between the two partners.

Secondly, Koné (2010) contended that the need to bring the trade relations between the ACP countries and the EU into conformity with WTO laws necessitated a shift to an FTA. In addition, Koné (2010) indicated that, the unwillingness of the EU to extend similar trade preferences to other developing countries outside the ACP group of countries infringed upon WTO laws. This infringement was challenged by Latin American countries as a contradiction of 'WTO Article I' (Most favoured Nation-MFN). Thus the necessity to create WTO compatible laws was influential in the negotiations towards an EPA.²² This argument has been further reinforced by Roy (2005) when he asserted that agitations from Latin American banana producers against EU trade preferences to ACP countries under the Lomé Agreement created the need to negotiate WTO compatible trade agreement.²³ Kone (2010) further cited the EUs desire to continue preferential trading regimes with the ACP countries as a latent motivation towards the EPA.

2.2.2. European Union's Perceptions on the EPA

Goodison (2007) examined the future of Africa's trade with the EU in the context of EU's wider trade strategy. His work analysed the EPA by reviewing the trends and processes in the negotiation process, and how they were affected by wider EU trade rules and strategy. He argued that the EPA in the context of the EUs new trade strategy focuses on pursuing

²² Op. cit. Koné, S. (2010).

²³ Roy, S. (2005). African Development and ACP-EU Partnership. *Economic and Political Weekly*, 521-523.

trade liberalization.²⁴ According to the EU Trade Commission, the growth of the EU is directly linked to the markets of the trade partners. Attempts at transforming the EUs trading partners, with a focus on trade liberalization therefore becomes the core premise of the new EU trade strategy. Goodison (2007) asserted that the new trade strategy lays emphasis on non-tariff barriers, as against traditional barriers to trade. Thus, government procurement, protection of intellectual property rights, and curtailing government intervention in market prices are the major tenets of the new trade strategy.²⁵

According to Goodison (2007), the EUs trade strategy seeks to go beyond the WTO by promoting issues rejected in the multilateral forum, through bilateral trade agreements. Thus, the focus of the EPA's on 'WTO Plus' issues such as government procurement, trade in services and intellectual property rights. The Trade Development and Cooperation Agreement (TCDA) with South Africa, for example, was used to bilaterally push the argument for 'Geographical Indications/ Geographical Destinations of Origin' before taking the issue to the multilateral era. Similarly, the writer argued that the EUs drive for EPAs became entangled with issues on trade facilitation, investment, competition and government procurement (Singapore issues) after such issues were rejected at both Cancun (September 2003) and Hong Kong (December 2005) WTO Ministerial. Thus, the EPAs became the EUs main avenue for building consensus among countries before reintroducing such 'WTO Plus' issues within the multilateral fora.²⁶

Goodison (2007) criticized the EUs trade strategy as one-sided. He asserted that although the EU is pursuing the removal of trade barriers in markets which it is well placed to

²⁴ Goodison, P. (2007). The future of Africa's trade with Europe: 'New' EU trade policy. *Review of African Political Economy*, 34(111), 139-151.

²⁵ Goodison, P. (2007). The future of Africa's trade with Europe: 'New' EU trade policy. *Review of African Political Economy*, 34(111), 139-151

²⁶ Ibid

compete, similar efforts are not pursued within the EU. The reforms of the EU's Common Agriculture Policy, which have seen 'trade-distortive' payments to farmers persist despite attempts to remove them, are cited as examples. Goodison (2007) further questioned the ability of the wider EU trade strategy in promoting the structural transformation of ACP economies. According to Goodison (2007), African trade negotiators' objectives must be reflected in the EPA, and if not, the trade agreement may fail to deliver on expectations.

2.2.3. Effects of the EPA

Critics of trade liberalization in Africa assert that the underdevelopment and marginalisation of Africa require improvement in institutional capacity to precede any attempt towards development (Foroutan & Pritchett, 1993; Coe & Hoffmaister, 1999; Rodrik, 1998; Charlton & Stiglitz, 2007).^{27,28} Extending the argument made in these policy studies opens up questions on the ability of the EPA to achieve its intended targets.²⁹

Charlton & Stiglitz (2007) argued that although trade liberalization enhanced the growth prospects of Asian countries, Asian growth can nonetheless be argued to have been preceded by institutional reforms. Siroen (2000) thus called into question literature that established relationship between trade opening and economic growth.

²⁷ Rodrik, D. et Subramanian, A. (2003), "La Primauté des Institutions: ce que cela veut dire et ce que cela ne veut pas dire", as cited in Koné, S. (2010). Economic partnership agreement between West Africa and the European union in the context of the world trade organization (WTO) and the regional integration process. *Journal of Economic Integration*, 104-128

²⁸ Coe, D. and A. Hoffmaister, A. (1999), "North-South Trade: Is Africa Unusual?", *Journal of African Economies*, as cited in Koné, S. (2010). Economic partnership agreement between West Africa and the European union in the context of the world trade organization (WTO) and the regional integration process. *Journal of Economic Integration*, 104-128.

²⁹ Foroutan, F. and L. Pritchett (1993), "Intra-Sub-Saharan African Trade: Is It Too Little?", *Journal of African economics*, vol. 2, pp.74-105.

In relating these arguments to the EPA, the fundamental solution to African development requires an improvement in institutional framework to achieve growth. Thus, the prevailing institutional incapacity of ACP countries threaten any potential gains from the EPA trade agreement.

In a similar study, Karingi, Lang, Oulmane, Perez, Jallab, & Hammouda (2005) examined the EPA and how it affects trade relations between the EU and ACP countries. The authors sought to evaluate how the EPA fits into the WTO rules, particularly article XXIV of GATT and article V of GATS. The writers revealed an ambiguity with respect to interpretation of the WTO articles and how this affects the trade agreement.

In examining the EPA, Karingi et al. (2005) raised some challenges facing African countries with regards to implementing the agreement. Overlapping regional groups, which is a problem that involved African countries being members of more than one regional economic group and its associated challenges are among the issues raised. Other problems include limitations with revenue mobilization and productive capacities of ACP countries.

Karingi et al. (2005) further sought to analyse the welfare impacts of the EPA on ACP countries in general. They asserted that there exists a possibility of budgetary constraints resulting from customs revenue losses. They further contended that the EPA is likely to divert trade among African countries. This problem has the potential to negatively influence regional integration. Opening up African markets to the EU further suggested the possibility of negative effects on Africa's industrialization process. In addition, Karingi et al. (2005) argued that the stiff competition from EU, which will occur as a result of the reciprocal removal of trade barriers raises the possibility of pushing indigenous products out of the market.

In their study of the trade and fiscal impacts of the EPA, Busse and Grobmann (2007) asserted a negative impact of the EPA on West African countries. The writers acknowledged that the loss of potential export revenues from trade liberalization is likely to have negative effects on signatory countries.³⁰ They further argued that the EPA in facilitating trade between the West African region and Europe raises the possibility of negatively reducing intra-regional trade.

However, Busse and Grobmann (2007) acknowledged the fact that the availability of the EU to finance development improves the prospects of growth through the upgrade of institutional structures. The ability of the EU to support this institutional transformation however remains to be tested. According to the writers, the EPA should not be celebrated as an agreement in the interest of Africa.

In a similar research on the EPA, Brenton, Hoppe and Von Uexkull (2007) argued a contrasting view about the ability of the EPA in addressing the developmental challenges facing ACP countries.³¹ In their study of the EPAs effects on East African economies, the writers asserted that the EPA framework failed to take into consideration the development challenges of ACP economies. This pessimistic view stems from the institutional incapacities in ACP countries, as well as the losses to be incurred in implementing the EPA. According to Brenton et al. (2007), the structural and institutional limitation in ACP countries such as weak tax system, low productive capacities, high levels of unemployment amongst others limit the revenue base of ACP governments. Brenton et al. (2007) argued that this limitation has led to

³⁰ Busse, M., & Großmann, H. (2007). The trade and fiscal impact of EU/ACP economic partnership agreements on West African countries. *Journal of Development Studies*, 43(5), 787-811.

³¹ Brenton, P., Hoppe, M., & von Uexkull, E. (2007). Evaluating the Revenue Effects of Trade Policy Options for COMESA Countries: the Impacts of a Customs Union and an EPA with the European Union. *Paper prepared as part of the World Bank–COMESA Joint Work Program for Regional Integration and EPA negotiations. Washington, DC.*

a high dependence on revenue sources such as exports and imports revenue (custom duties). The removal of this vital source of revenue through the implementation of the reciprocal free trade agreement is likely to cripple government revenue base. The writers opined that this singular problem is likely to have chain effects, with negative consequences in diverse sectors of ACP economies.

Analysis of these policy papers show that academic work on the EPA is limited to regional studies. Thus, a country-focused study of the impacts of the EPA is needed to examine how the trade agreement affects signatory countries operating under distinct economic conditions.

2.3. Theoretical Framework

This section examines preferential trading arrangements and related concepts. This is to give the reader an introduction to the concept of PTAs, as well as their effects on the international trading system.

2.3.1 Preferential Trading Arrangements

Regional/ Preferential Trading Arrangements (R/PTAs) as a concept underpins this research. As such, the motivations for RTAs, basic tenets, features and concepts related to preferential trading amongst states becomes the framework used to explain Ghana's trade relations with the EU.

Panagariya (1999) defines PTAs as “agreements between two or more countries in which tariffs imposed on goods in the member counties are lower than goods produced outside.”³² Although PTAs collectively refer to diverse forms of preferential trading, Panagariya further elaborates on different levels of trade integration.

These include:

1. **Free Trade Arrangements (FTAs):** This refers to agreements where constituent countries agree to eliminate tariff and non-tariff barriers on substantially all the trade, while maintaining individual tariff/ trade policies on external countries. E.g. the EPA
2. **Customs Union (CU):** This refers to countries eliminating tariff and non-tariff preferences as in an FTA, as well as establishing a common tariff and trade policy for non-member countries. E.g. Southern African Customs Union (SACU).

³² Panagariya, A. (1999). The regionalism debate: an overview. *The World Economy*, 22(4), 455-476.

3. **Common Markets:** Countries in this trade arrangement agree to merge their economies in addition to satisfying the requirements of a CU. Thus, constituent countries eliminate barriers to capital and labour flow across national borders.
4. **Economic Union:** Member countries in this PTA adopt common macro-economic policies, through the merging of the economies of the member countries. A common currency together with related economic institutions are established to regulate economic and trade relations. E.g. The European Union (EU)³³

In addition to the above preferential (reciprocal) trading arrangements are non-reciprocal preferential trading, granted under the Enabling Clause. These involve developed countries granting preferential/special treatment to developing and least developed country trade. These preferences are often granted under the General System of Preferences, often to all eligible countries. However, there are also special waivers/ regional agreements that reflect these preferential treatments. Examples include the African Growth and Opportunity Act (AGOA) granted by the United States to sub-Saharan African countries, and the Caribbean Basin Initiative (CBI) etc.

2.3.2. Developing Countries and PTAs

Central to this research is the relationship between an industrialized economic bloc – EU and a developing country- Ghana. Thus, how are North-South trading relations influenced by PTAs? Classical trade theorists including Viner (1950) assert a *trade diversion effect* of PTAs vis-à-vis third countries. He demonstrated that the complementary nature of trade

³³ Ibid.

relations .i.e. production of raw materials and intermediate goods by the South, and industrial goods by the North dominates and affects developed-developing country trade.

Other scholars including Collier and Gunning (2000), Piazzolo (2001) and Venables (1999) criticized Viner's postulations, arguing that North-South FTAs are beneficial due to different factor endowments of the respective parties. Thus, ability of South to export labour intensive goods, while benefiting from cheap capital intensive imports represent a division of labour as well as stimulating growth.³⁴ These arguments represent a *factor endowment* view of developed-developing country PTAs.

On the other hand, South-South PTAs can be argued to enhance negotiation capacities and bargaining positions of developing countries that band together through PTAs. Weak bargaining positions of developing countries vis-à-vis their industrial counterparts and trade blocs create a vulnerability for developing countries during multilateral negotiations and individual PTAs. However, this disadvantage can be transcended through formation of South-South groups that give leverage (in theory) to the position of developing countries, as well as enable them gain concessions from the North. Negotiating such PTAs can further enhance compromises among group of developing countries on sensitive trade issues, which can later provide platform for multilateral liberalization.

PTAs between North-South countries are argued to foster *Sequencing Bargaining Effects*. This is where industrial partners in PTA negotiation push for WTO Plus issues to be included in PTAs with developing countries. These PTAs with the North pursue higher trade standards, as deeper integration levels are sought on issues that are stalled within WTO Ministerial .i.e. Singapore Issues are partly infused in the EPA. According to Bhagwati

³⁴ Bui., T. G. (2004). Emerging FTA Approach in East Asia and Policy Implications for Vietnam. Thesis submitted to the KDI School.

(1993), although negotiating such issues multilaterally among South countries simultaneously can be profitable, hegemonic powers (the North) stands to gain more in bargaining sequentially with South countries, through individual PTAs.³⁵ Thus, picking one vulnerable country and moving to the next through plurilaterals offer greater payoffs, as the benefits are not available to all WTO members (Bhagwati and Panagariya, 1996). Such sequential bargaining further allows sensitive issues stalled in multilateral fora to be locked-in through negotiating PTAs.

³⁵ Bhagwati, J. (1993). Regionalism and multilateralism: an overview. *New dimensions in regional integration*, 22, 51.

CHAPTER THREE

THE GHANA- EU EPA

3.0. History of Ghana- EU Trade Relations

Ghana-EU Trade relations officially dates back to 1975 during the signing of the Lomé Convention.³⁶ Prior to this agreement, the Francophone African countries established trade cooperation with Europe under the Yaoundé Convention (1963). Expiration of this agreement together with other developments including United Kingdom joining the European Community (and the need to incorporate her former colonies into the trade relations) together with ACP countries decision to negotiate as a bloc, led to the Lomé Convention I.

This agreement that underpinned Ghana-EU trade witnessed several revisions including in 1979 (Lomé II) where development assistance was added to cushion ACP countries from the effects of commodity price fluctuations and other negative effects of trade. Further revision of the agreement in 1984 (Lomé III) introduced a focus on promoting food security and self-sufficiency amongst ACP states. The final Lomé Convention revision in 1989 (Lomé IV) introduced democratic principles, human rights and rule of law etc. as factors in EUs trade with ACP countries including Ghana.³⁷

Whereas the Yaoundé Accords that preceded the Lomé Conventions attempted to establish a reciprocal trade relations, the ACP countries in negotiating (Lomé Conventions) as a group succeeded in securing a non-reciprocal trade agreement. Thus, Ghana benefitted from favourable access to the EUs market while it was under no obligation to treat EU goods

³⁶ Although trade relations dates back to precolonial periods where the Portuguese landed on the shores of Ghana and started trading relations. This relations further continued during colonial periods, where Ghana, a colony of Great Britain engaged in commodity trade with its colonial master. However, official trade is often dated to the Lomé Agreements.

³⁷ See Review of the Interim Economic Partnership Agreement between Ghana and the European Union by CEPA, Ghana. Cited in *cepa.org.gh/research papers/Ghana74.pdf*. This paper analyses the inconsistencies in the Lomé Agreements and the need for change.

in a similar way; hence the consistent application of MFN tariffs to EU trade. However, Ghana- EU trade under Lomé IV (from 1995) was conducted under a waiver the EU secured from the WTO as the preferential arrangement violated GATT/WTO principles; especially as non-ACP developing countries and LDCs were not offered similar privileges. This inherent inconsistency, together with the EUs desire to bringing trading relations into conformity with WTO rules necessitated a shift towards the EPA, first through the Cotonou Agreements that secured the last waiver from the WTO (from June 2000 to December 2007).³⁸ In this vain, the Cotonou Agreement stipulated that “ACP- EU agree to remove progressively barriers to trade between them and enhance cooperation in all areas relevant to trade in line with Article XXIV of GATT”.³⁹

3.1. The Ghana-EU EPA

The EPA is not only compatible with GAT/ WTO principles on preferential trading (Article XXIV) but encompasses additional areas of trade including services, environment and government procurement etc. deepening trade relations between the two partners. Ghana- EU EPA negotiations started in September 2002, with December 2007 stated as deadline. Although Ghana started negotiations with the EU as a group i.e. under ECOWAS, contentions on the agreement, together with other market access differences led Ghana to individually sign an agreement with the EU on December 13 2007.⁴⁰ Prior to Ghana signing the EPA, only the Caribbean Forum (CARIFORUM) signed the agreement as a group. Cote d’Ivoire and Ghana were the only West African country to also sign an interim

³⁸ ACP/EC: The Cotonou Agreement, 2001, Internet Posting: http://europa.eu.int/comm/development/body/cotonou/agreement_en.htm.

³⁹ Ibid

⁴⁰ The EPA was initially to be negotiated under regional groupings, but contentions arising from market access and development status (i.e. LDC, developing country etc.) together with other regional differences inhibited progress. However, some regional groups including CARIFORUM succeeded at negotiating as a group.

EPA as other regional countries were unprepared to sign the agreement.⁴¹ See Table 1 below for negotiation blocs for the EPA.

Table 1 The EPA Negotiating Groups Prior to Ghana Signing an Individual EPA (iEPA)

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

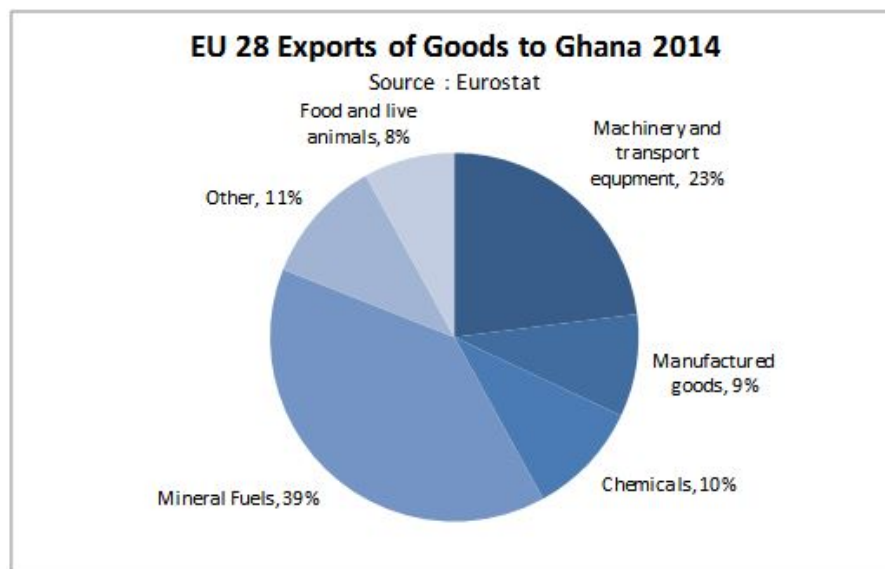
Source: Overseas Development Institute. Economic Partnership Agreements (EPAs): Where We Are. <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/2588.pdf>

Among the regional groupings within the ACP, West Africa remains the most important to the ACP- EU trade, accounting for 40% of trade relations. Within this region, Ghana, Nigeria and Cote d'Ivoire together account for 90% of the regions' trade with the

⁴¹ EPA negotiations were very contentious among ECOWAS countries due the diverse development status of states, as well as market access differences. For more on this contentions and related issues, see the Overseas Development Institute paper “the Economic Partnership Agreements; where we are”. <https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/2588.pdf>

EU.⁴² Trade between Ghana (and West Africa) and the EU is dominated by chemicals, industrial goods, vehicles and machinery imports from the EU, while exports to the EU is dominated by Cocoa (from Ghana and Cote d'Ivoire). Production of oil by Ghana in 2008 has added crude exports as another dimension of trade. Other agricultural products including bananas, fisheries etc. and mining products including gold and diamond, to a lesser degree.⁴³

Table 2 The European Union's Exports to Ghana (Ghana's EU Imports)



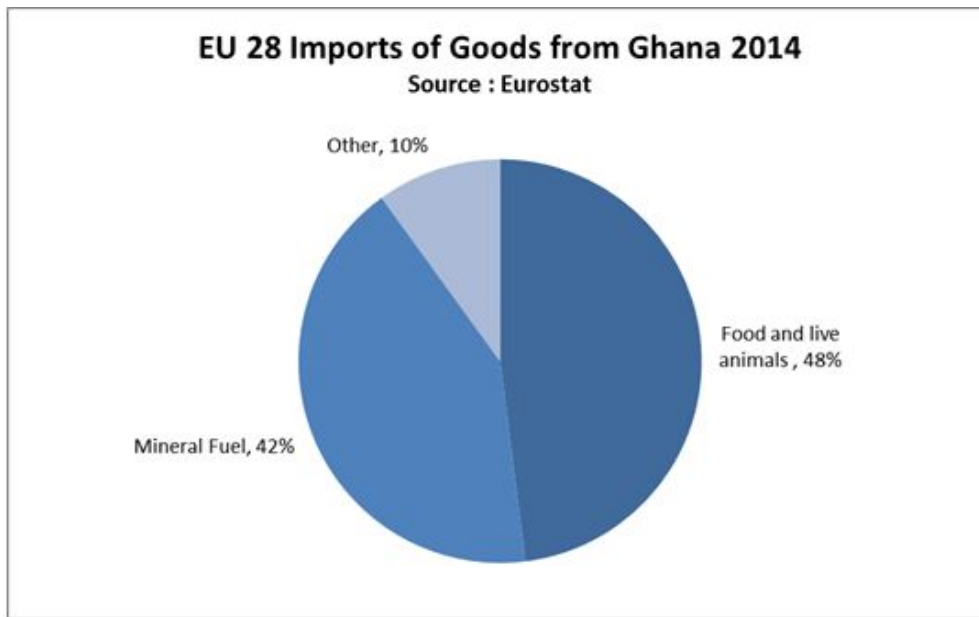
Source: Official Website of the Delegation of the European Union to Ghana⁴⁴

⁴² For more on this see the website of the European Union Delegation to Ghana trade documents. Retrieved from: http://collections.internetmemory.org/haeu/20160313172652/http://eeas.europa.eu/delegations/ghana/eu_ghana/trade_relation/bilateral_trade/regional_trade/index_en.htm

⁴³ For more on Ghana's trade statistics with the EU, see the website of the European Delegation to Ghana, at: http://collections.internetmemory.org/haeu/20160313172652/http://eeas.europa.eu/delegations/ghana/eu_ghana/trade_relation/bilateral_trade/regional_trade/index_en.htm

⁴⁴ For more on Ghana-EU trade statistics, see: http://collections.internetmemory.org/haeu/20160313172652/http://eeas.europa.eu/delegations/ghana/eu_ghana/trade_relation/bilateral_trade/index_en.htm

Table 3 Imports of the European Union from Ghana (Ghana's EU Exports)



Source: Official Website of the Delegation of the European Union to Ghana⁴⁵

3.2. Why the Economic Partnership Agreement?

In an European Commission Green Paper (1996) the commission detailed three shortcomings of the Lomé Agreements that to the EC necessitated a shift to the EPA. These include:

- a. Unilateral character of preferences and its effects on creating a highly protected and non-competitive ACP economies.
- b. An absence of an emphasis on ‘good governance’ and institution building; and
- c. Substantial supply side challenges of ACP economies which increasingly inhibited diversification of their product base and exports.⁴⁶

⁴⁵ For more on Ghana-EU trade statistics, see: http://collections.internetmemory.org/haeu/20160313172652/http://eeas.europa.eu/delegations/ghana/eu_ghana/trade_relation/bilateral_trade/index_en.htm

⁴⁶ Acheampong, T. (2016). A Review of the Interim Economic Partnership Agreement between Ghana and the European Union. MPRA Paper, Retrieved from: <https://mpa.ub.uni-muenchen.de/id/eprint/66232>

Notwithstanding these arguments by the EU, critics cite asymmetric negotiation terms as well as perceived negative effects of the EPA, thus calling for a repudiation of negotiations. This led to questions that in the absence of the EPA, what options can Ghana pursue to underpin her trade with the EU. Analysis of available EU trade policies for developing countries reveal three alternatives. These include:

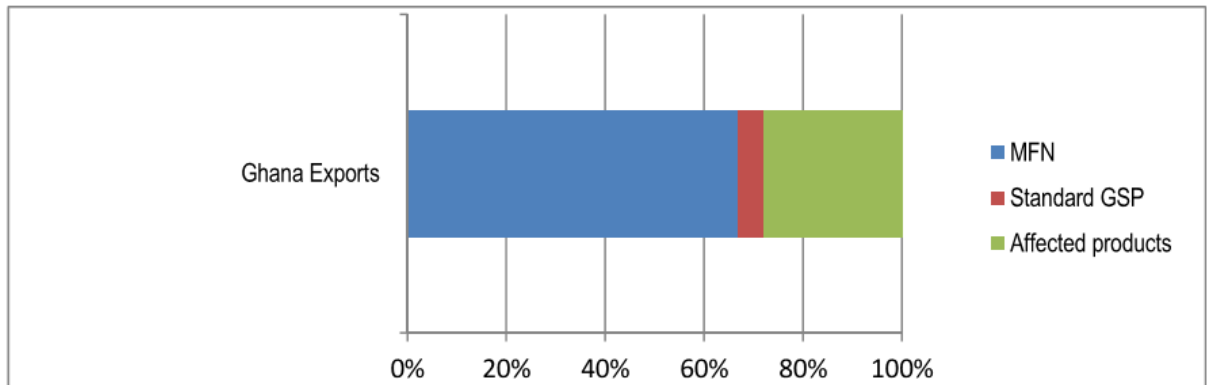
- a. The **Everything But Arms (EBA)** scheme of the EU: This trade policy applies to goods from least developed ACP countries that are allowed a duty-free and quota-free entry into the market of the EU (in exception of arms and ammunitions). However, this option is not available to Ghana (since Ghana is not an LDC).
- b. The **General System of Preferences (GSP) and the GSP+**: This trade scheme offers slight tariff reductions to developing countries. Products covered under the scheme offers lower than MFN tariffs, but its failure is that it is not contractual, hence Ghana's market access is not guaranteed. The GSP+ offers substantial or complete tariff removal on all products covered by the scheme. The GSP+ however applies to only developing countries that are signatories to specific international conventions on human rights, good governance and environment etc.⁴⁷ Thus Ghana cannot be migrated to this scheme, if it had failed to sign an EPA.⁴⁸

Absence of an EPA would have left the GSP as the only viable option for Ghana-EU trade, as Ghana's status as a lower middle income, together with not satisfying the GSP+ requirements eliminate the alternatives discussed above. See the figure below for a comparison of trade under the diverse options on 2005 level .i.e. EU tariff levels before EPA.

⁴⁷ For further information on the GSP and GSP+ see, dialogue box later in this chapter.

⁴⁸ Nigeria applied to be migrated to the GSP+ but was rejected on grounds of not satisfying the criteria. Currently, Cape Verde enjoys trade under this scheme.

Table 4 Conditions Facing Ghana's Trade in the Absence of an EPA



Source: Action Aid- Ghana (2013).

From the table above, at the expiration of the Cotonou Agreement in 2007, Ghana could have continued exporting 67% (two-thirds) of her exports to the EU under MFN tariffs, which were duty-free. This MFN covered Ghana's major exports including hardwood timber, cocoa beans, gold etc. The GSP which Ghana qualified for could have enabled another 5% of exports to enter the EU market duty free.⁴⁹ This leaves 28% of exports, which can be argued to be the reason for signing the EPA. However, these group of products form the emerging non-traditional export sector of Ghana, around which the country's industrialization policy is structured. Not signing the EPA will thus make them very uncompetitive in the EU market.

Products that constitute this 28% facing high tariff in the absence of the EPA together with their export shares include: fresh vegetables (2-8%), pineapples (2.3-5.8%), preserved tuna (18-20%), cocoa butter and paste (4-6%), plywood, aluminium, cassava and bananas etc.

⁴⁹ For more on the composition of Ghana's exports at the expiration of the Cotonou Agreement, see: Patel, M. (2007). Economic partnership agreements between the EU and African countries: Potential development implications for Ghana. *Realizing Rights, The Ethical Globalization Initiative*.

Thus the EPA was essential to maintaining their export competitiveness in the EU market. A full list of these items at the time of signing the EPA is below.

Table 5 Ghana's Main Exports to the EU and Respective Tariff Rates Under the EPA and GSP, 2014

	Exports total value EUR million	Tariff rates under the EPA	Tariff rates under GSP
Prepared or preserved tunas and skipjack	111.4	0.0	20.5
Bananas, fresh (excl. plantains)	30.2	0.0	132 €/t
Cocoa paste	150.2	0.0	6.1
Cocoa butter, fat and oil	153.5	0.0	4.2
Cocoa powder	23	0.0	2.8
Pineapples	22.6	0.0	2.3
TOTAL	EUR 491 Million	0.0	Various

Source: EUROSTAT and the TARIC databases.

Table 6 Ghana's Exports to the EU that are affected by High Tariffs without an EPA (during period of negotiations)

Product description	Value 2005 Euros	Share of total %	EU Tariffs regime in 2003		
			MFN	Standard GSP	GSP - Plus
27101961-Fuel OBTAINED FROM BITUMINOUS MINERALS	5,591,781	0.6	3.5	0	0
27101969-FUEL OILS OBTAINED FROM BITUMINOUS MINERALS	4,853,351	0.5	3.5	0	0
90158019-ELECTRONIC METEOROLOGICAL HYDROLOGICAL AND GEOPHYSICAL INSTRUMENT	3,996,627	0.4	3.7	0	0
44083985-SHEET FOR VENEERING, WOOD	11,510,901	1.3	4	0	0
44083995-SHEET FOR VENEERING, WOOD	6,674,153	0.7	4	0	0
44089095-SHEET FOR VENEERING, WOOD	3,796,058	0.4	4	0	0
44083931- VENEER SHEET AND SHEETS, WOOD	2,171,696	0.2	6	0	0
16041418-PREPARED OR PRESERVED TUNAS AND SKIPKACK	46,398,197	5	24	20.5	0
08043000-FRESH OR DRIED PINEAPPLES	45,555,197	5	5.8	2.3	0
18040000-COCOA BUTTER , FATS AND OIL	27,366,232	3	7.7	4.2	0
18031000-COCOA PASTE(EXCL. DEFATTED)	25,082,426	2.7	9.6	6.1	0
16041411-TUNA AND BONITO SARDA SPP//FISH	11,976,403	1.3	24	20.5	0
07099090-FRESH OR CHILLED VEGETABLES / URGENTTES	9,052,199	1	12.8	8.9	0
90159000-PARTS AND ACCESSORIES FOR INSTRUMENT USED IN TOPOGRAPHY OCEANOGRAPHY	8,905,319	1	2.7	2.7	0
27101949- GAS OILS OF PETROLUEM OR BITUMOUS MINERALS	8,615,074	0.9	3.5	3.5	0
44089085-SHEETS FOR VENEERING WOOD	8,523,609	0.9	4	4	0
03075910-FROZEN OCTOPUS, WITH OR WITHOUT SHELL	5,297,132	0.6	8	2.8	0
18032000-COCOA PASTE , WHOLLY OR PARTLY DEFATTED	5,285,189	0.6	9.6	6.1	0
16041416-LIONS OF TUNAS OF SKIP JACK, PREPARED OR PRESERVED	4,463,767	0.5	24	24	0
03074918-FROZEN CUTTLE FISH WITH OR WITHOUT SHELLS	4,430,368	0.5	8	2.8	0
15159059-CRUDE FIXED VEGETABLES FATS AND OILS	4,117,123	0.4	6.4	2.9	0
0304290-FROZEN YELLOWFIN TUNAS THUN//RVATION	3,684,456	0.4	22	18.5	0
16042070-PREPARED OR PRESERVED TUNAS //PIECES	3,297,680	0.4	24	20.5	0
03034390-FROZEN SKIP JACK OR STRIPE-BELLOED BONITO	3,278,686	0.4	22	18.5	0
44121400-PLY WOOD CONSISTING SOLELY SHEET OF WOOD	2,700,735	0.3	7	3.5	0
44121390- PLY WOOD CONSISTING SOLEL//COMPONENT	2,395,390	0.3	7	3.5	0
03037590-FROZEN SHARKS (EXCL DOGFISH)	2,206,459	0.2	8	2.8	0
07096099-FRESH OR CHILLED FRUITS OF GENUS CAPISICUM OR PIMENTA	1,992,052	0.2	6.4	2.9	0

081096095-FRESH FRUIT EDIBLE	1,531,006	0.2	8.8	5.3	0
15119099-PALM AND ITS LIQUID FRACTION	948,918	0.1	9	3.1	0
76011000-ALUMINIUM NOT ALLOYED FRACTION	8,708,240	0.9	6	6	0
76012010-UNWROUGHT PRIMARY ALUMINIUM ALLOYS	1,834,760	0.2	6	6	6
070149011-FRESH AND WHOLE OR WITHOUT SKIN FROZEN ARROW,SALEP,AND SIMILAR ROOTS AND TUBERS	6,740,398	0.7	Outside quota us 114.37 tonnes inside 6%	Outside quota us 114.37 tonnes inside 6%	Outside quota us 114.37 tonnes inside 6%
07141091- MANIOC(CASSAVA) FRESH AND WHOLE OR WITHOUT SKIN	1,109,718	0.1	Outside quota us 114.37 tonnes inside 6%	Outside quota us 114.37 tonnes inside 6%	Outside quota us 114.37 tonnes inside 6%
08030019-BANANAS FRESH (EXCL PLANTAINS)	2,878,339	0.3	Outside quota us 211.8 tonnes inside 0%	Outside quota us 211.8 tonnes inside 0%	Outside quota us 211.8 tonnes inside 6%

Source: Patel M. (2007)

3.3. The EPA and Welfare Implications

Literature on welfare implications of PTAs is divided. Issues including effects on government revenues (especially for developing countries) as well as their capacity to lock-in positive reforms are highlighted as contributing to welfare. Furthermore, trade creation and trade diversion effects complicate analysis of PTA welfare effects. However, experts agree the ability of PTAs to influence welfare depends to a large extent on the economic structure of a member country as well as its economic size.

De Melo, Panagariya and Rodrik (1992), Schiff (1997), and Bhagwati and Panagariya (1996) asserted PTAs to have a welfare reducing effect when examined in relation to the overall multilateral trade system. However, individual member trade liberalization resulting from PTA reforms may be positive. Notwithstanding this, non-competitive behaviour,

multiple rules of origin problems etc. has led multilateralists to argue against the shift towards PTAs.⁵⁰

The EPA as it stands now offers a duty-free and quota-free access to Ghana's trade with the EU, for an unlimited period of time. Ghana in return is undergoing a gradual liberalization of 75% of EUs exports to Ghana, over a 15 year period. The asymmetric market opening (i.e. 100 % of EU at the time of signing compared to 75% for Ghana between 2008 and 2022) can be argued as reflecting the different developmental stages and market sizes etc. of the two partners. Ghana in liberalizing 75% of her trade with the EU reflects similar agreements the EU negotiated with Chile and South Africa, where 'substantially all the trade' was interpreted to mean at least an 80% liberalization (which the EU initially pursued with Ghana).⁵¹

Welfare implications of the EPA in Ghana, it should be noted depends on the capacity of the country to implement reforms to boost production, the liberalization schedule and impacts on fiscal revenues, as well as how trade competing sectors, agriculture etc. are affected by the EPA. The country's ability to utilize market access under the agreement also affects welfare. These sectors are analysed below.

3.4. The EPA and Tariff Liberalization

Closely related to the welfare effects are tariff elimination and their effects. It is important to note that the asymmetric market opening highlighted above affords Ghana the flexibility to protect import sensitive sectors, while preserving fiscal revenues as well as putting in place frameworks against revenue losses. Prior to the EPA with the EU, Ghana

⁵⁰ Op. cit. Bui (2004)

⁵¹ For more on disagreements on negotiation schedules and contentions, see Patel (2007).

embarked upon tariff liberalization, with average MFN tariffs falling from 17% in 1992 to 13 % in January 2000. Consumer goods had highest applied tariffs pegged at 20% (which were the highest of Ghana's tariffs). Other categorizations include a 0% - 5% MFN tariff on raw material and capital goods, and 5% - 10% on intermediate goods. 13.5 % of tariffs lines enjoyed a 0% duty.⁵²

Table 7 Ghana's Liberalization Schedule⁵³

	# lines	Import value (average, 2004–6) ^a		Tariff until 31 December 2012 ^b				
		US\$000	Share of total	Min.	Max.	Simple avg.	Trade-weighted avg. ^c	# lines on which based
Total trade in HS 1-97		1,521,631	100%					
Goods to be liberalised:								
Already duty free	174	210,896	13.9%	0	0	0	0	169
from 1 Jan. 2013	821	132,620	8.7%	5	5	5	5	798
from 1 Jan. 2015	1,002	120,074	7.9%	5	5	5	5	961
from 1 Jan. 2017 (starts 1 Jan. 2016)	1,098	550,614	36.2%	10	10	10	10	1,029
from 1 Jan. 2021 (starts 1 Jan. 2019)	54	42,926	2.8%	10	10	10	10	51
from 1 Jan. 2022 (starts 1 Jan. 2019)	1,242	83,862	5.5%	20	20	20	20	1,217
Excluded goods:	1,038	380,640	25.0%	5	20	18.3	16.9	999
Totals	5,429	1,521,631	100%					5,224

Source: Bilal, S and Stevens, C. (2009)

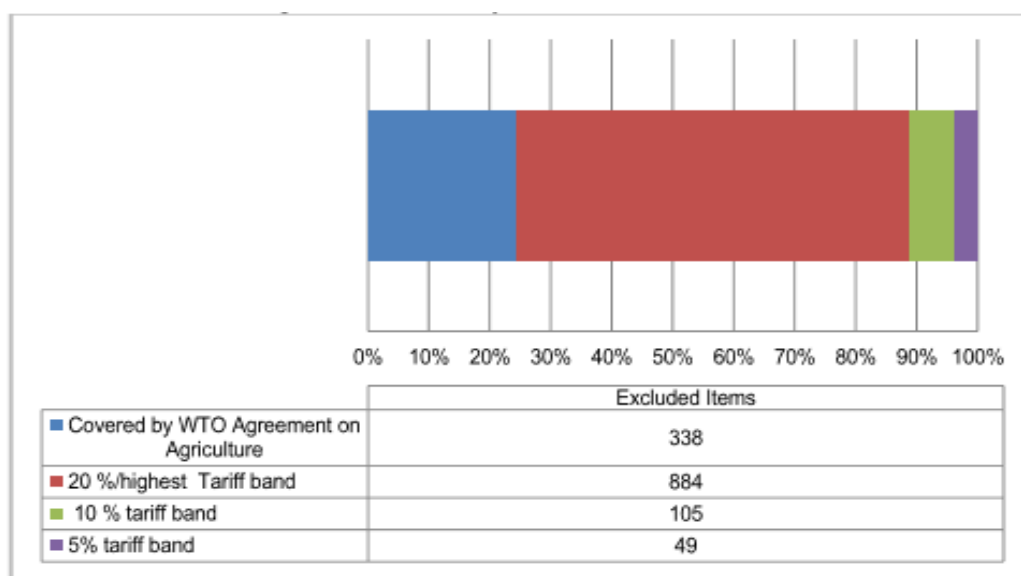
Ghana has between 2008 and 2022 (15 years) to liberalize 75% of EU imports (constituting 81% of tariff lines). This liberalization started in January 2013 where 22.6% of items constituting 995 tariff lines were liberalized. Another 44.1% of EU imports are in the process of liberalization (i.e. between 2015- 2017). The items constituting the highest tariff lines of 20% are due for liberalization from 2021 to 2022. In sum, by the end of 2016, 66.7% of EU exports to Ghana would have been liberalized. The fiscal impacts of this liberalization are analysed later in the chapter.

⁵² For more information on Ghana's tariff lines see: WTO (2001) Ghana Trade Policy Review, document WT/TPR/S/81, p. ix

⁵³ For a list of EU exports to Ghana that were liberalized, see the appendix of this work.

The Market Access Order- It is instructive to note that Ghana negotiated an exclusion list, comprising items that are not to be liberalized notwithstanding the EPA .i.e. the remaining 25% of Ghana’s trade that is not liberalized. This list is referred to as the Market Access Order of Ghana (MAO), comprising a list of sensitive items that if liberalized, may cause negative welfare implications. This list encompasses 1,038 goods, among which include agriculture products (31%), plastics and its products (7.1%), meat and edible meat offal (5.8%) etc. Fruits and vegetable preparations (5.4%) are all excluded. Overall, 85% of the excluded items fall within Ghana’s highest MFN applied tariffs (.i.e. 20% tariff), while 10% fall with tariff band of 10%.⁵⁴ Below is a breakdown of the exclusion list, with a comprehensive list in the appendix of this research.

Table 8 Summary of Ghana's Exclusion List



Adapted from: Action Aid Ghana (2013)

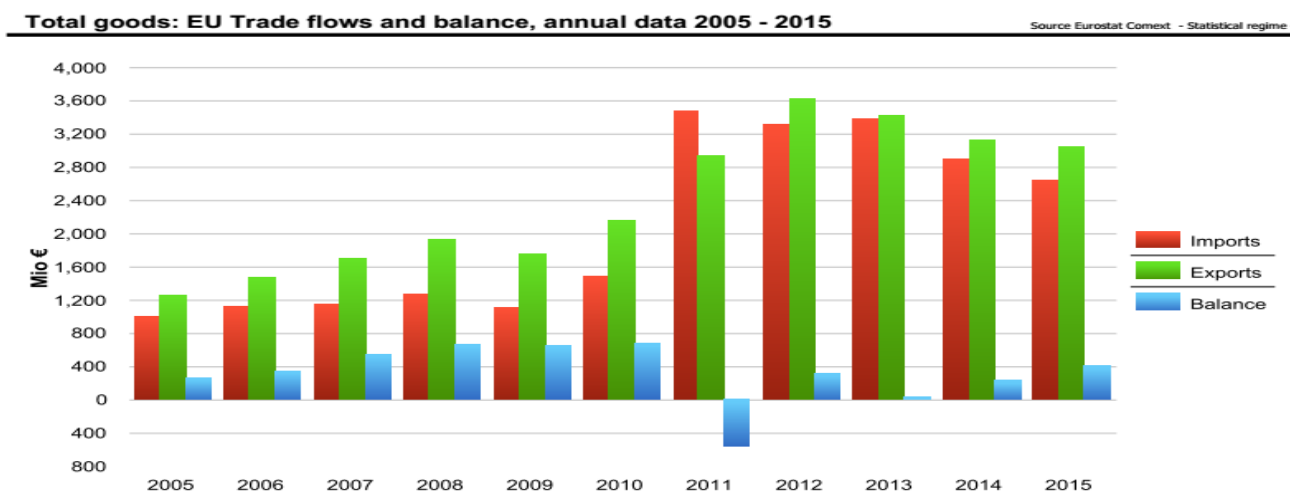
⁵⁴ For a comprehensive review of Ghana’s liberalization schedule etc. see: European Centre for Development Policy Management, & London Overseas Development Institute. (2009). *The interim Economic Partnership Agreements between the EU and African states: contents, challenges and prospects*. S. Bilal (Ed.). ECDPM.

3.5. The EPA and Ghana Government Revenues

A major source of Ghana Government revenue is import tariff, which has been seriously compromised through trade liberalization under the EPA. Prior to signing the EPA, a study conducted by the European Centre for Development Policy Management indicated a heavy reliance of ECOWAS countries on import tariffs (.i.e. 14.5% of revenues and 2.5% of GDP). Ghana’s dependence on this was estimated at 15.5% of government revenue.⁵⁵

However, the EPA’s effect on government revenue has declined in line with a decreasing EU imports since the liberalization came into effect from January 2013. (.i.e. 27% imports at 2008 to 20.7% in 2015).⁵⁶ See diagram below, and appendixes for complete trade statistics between Ghana and the EU.

Table 9 European Union Trade with Ghana (2005- 2015)



Source: Eurostat Comext – Statistical Regime 4

⁵⁵ For more on earlier estimates of the EPA on Ghana and ECOWAS countries revenue, see: ECDPM (2006) Overview of the Regional EPA Negotiations: West Africa-EU Economic Partnership Agreement, In Brief, No. 14B – November 2006

⁵⁶ European Union, Trade in goods with Ghana http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122461.pdf

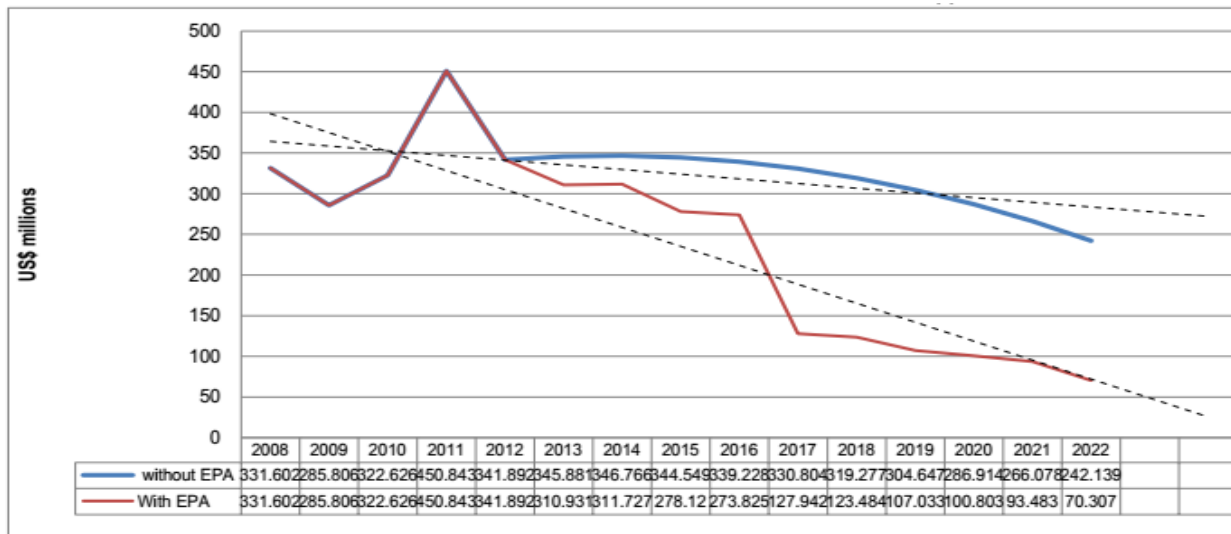
In line with this decline in trade, tariffs revenues were unstable, before the effects of the EPA set in (i.e. tariffs peaked at USD \$ 450 million in 2011, before dropping to USD \$ 341 million). However, the EPAs effects exacerbated the tariff decline since January 2013, as revenues fell from USD \$310.9 million in 2013 to USD \$278 million in 2016. This according to an Action Aid Ghana report indicated a 12% fall in import revenue.⁵⁷

The rate of the decline and its effects on welfare remain complex. This is because the current trend of Ghana- EU trade decline raises the possibility of such trade losses been replaced by other regions (i.e. Asia and Africa), which will in effect be conducted under MFN tariffs, compensating for tariff revenue losses. Another complication arises as this trade replacement alone cannot compensate tariff losses, especially since substantial tariff lines under Ghana- EU trade (10%- 20% tariff lines) remains to be liberalized post 2017 .i.e. 2021 - 2022. This liberalization will likely further erode government revenues. Projected revenues indicate that tariff revenues in 2022 under the EPA will be at USD \$70.31 million as compared to USD \$242.1 million in the absence of the EPA (and trade continues to fall).⁵⁸ See below for tariff revenue loss projections.

⁵⁷ Action Aid- Ghana (2013). Analysis of Socio-economic Development and Policy Options under the Interim EPA Regime with the European Union. Retrieved from: http://www.actionaid.org/sites/files/actionaid/actionaid_ghana_research_-_ghana_under_interim_epa_and_implications_for_socio-economic_development.pdf

⁵⁸ Ibid

Table 10 Tariff Revenue Estimates, with and without an EPA



Adapted from: Action Aid Ghana Report (2013)

The figure above demonstrates projected revenue losses from the signing of the EPA to the period of complete liberalization of EU trade (2022). The estimates assert a USD \$88,575 million revenue loss per-annum between 2008 to 2022. From 2017, Ghana stands to lose USD \$202.8 million due to liberalization of higher tariff lines. A cumulative analysis puts total loss of government import revenues from 2008 to 2022 at USD \$1, 126, 807. This loss only relates to direct forgone revenues under the EPA, hence other indirect losses associated with tariff elimination are potentially higher.

3.6. Revenue Loss and Consumer Welfare

A related issue to welfare is whether tariff eliminations/ government revenue loss translates into price relief for consumers. Trade experts argue that this revenue impacts can be experienced by consumers if EU exporters transfer tariff elimination to price of products, or if Ghanaian importers transmit tariff eliminations to goods. Without these transfers to consumers, tariff eliminations are unlikely to be felt by Ghanaian consumers. Experts contend that a less competitive market such as Ghana experiences the latter, hence tariff eliminations are unlikely to be reflected in consumer goods (but instead accrue in additional profits to the

importer or the producer).⁵⁹ However, other reports including IMANI Ghana (2014) assert a 7.4% average savings on consumer commodities if EPA tariff eliminations are passed on to the consumer.⁶⁰ This will represent a significant welfare gain.

3.7. The EPA and Trade Diversion

In addition to revenue losses analysed above are ‘trade diversion effects’ of the EPA and their impacts on government revenue. The current EPA raises the possibility of Ghanaian producers switching imports from competitive third country suppliers to the EU in order to benefit from preferential tariffs (0%). This diversion of trade further increases the prospect of revenue losses, as trade can be switched from MFN tariff suppliers (with associated revenue) to the EU. This situation holds negative trade implications on world trade in general, and has been argued by trade experts including Bhagwati (2008) as undermining world trade.

3.8. The EPA and Ghana’s Manufacturing and Industrial Sector

An issue of major welfare concern is how the EPA affects Ghana’s fragile industrial sector. Although specific data on Ghana’s industrial competitiveness is lacking, structural constraints faced by producers, makes the current competition with EU products asymmetric. Using the United Nations Industrial Development Organisation (UNIDO) reports as a basis of analyses, the nature of competition faced can be assessed. UNIDO’s Composite Index of Industrial Performance (CIP) 2016 measures export quality, manufacturing value-added and industrialization intensity etc. to rank countries. It is instructive to note that the EU countries rank in the top quintile (Germany- 1st, Netherlands 8th etc.) whereas Ghana ranks in the

⁵⁹ Busse, M., Borrmann, A., Großmann, H., & Hamburg, J. (2004). The impact of ACP/EU Economic Partnership Agreements on ECOWAS countries: An empirical analysis of the trade and budget effects. *Institut für Wirtschaftsforschung, Hamburg*.

⁶⁰ For more on this, see: IMANI Ghana (2014).

last/bottom quintile (119th).⁶¹ This demonstrates the competitiveness of both trade partners, as well as the level of competition Ghanaian producers' face.

Existing effects of the Structural Adjustment induced liberalization and associated cheap Chinese and Far East imports have already crippled industries including Ghana's textile and garment industry. This makes the current liberalization under the EPA contentious among stakeholders, who argue that liberalization contrasts government promises of supporting and promoting growth in the sector.⁶²

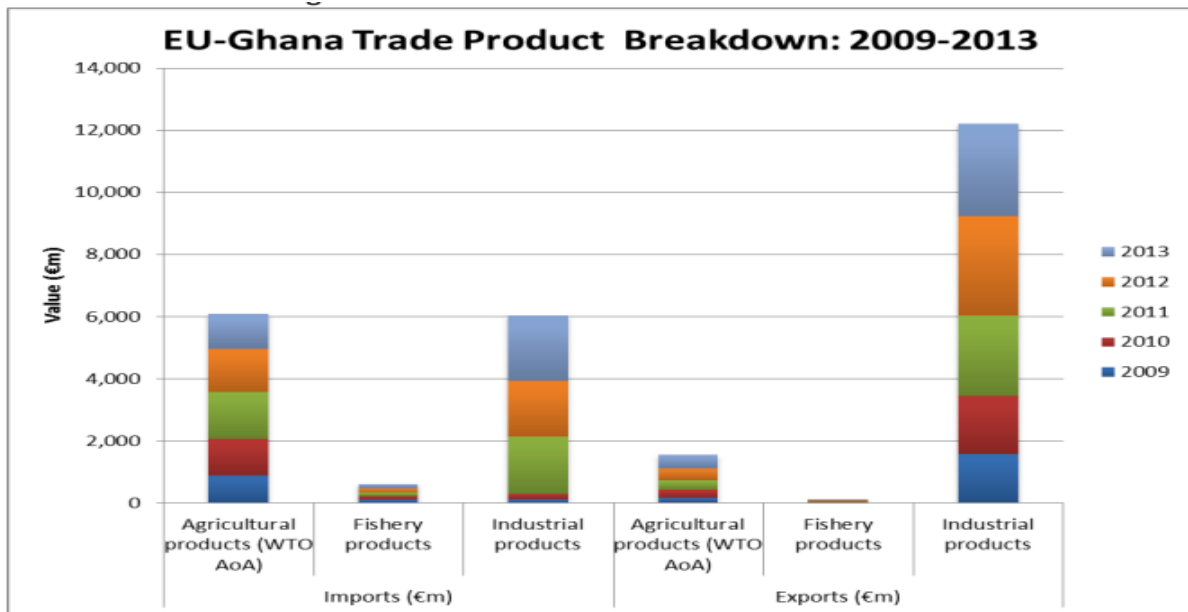
Although industry stakeholders' position .i.e. imposition of additional trade barriers negates the tenets of the EPA ('standstill clause') and Ghana's WTO commitments in general, systematic address of existing structural and logistical constraints can begin to improve Ghana's productive capacities. Ghana's imports from the EU is dominated by industrial machinery and agricultural inputs necessary for Ghana's industrial growth, hence imposition of trade restrictions may have negative implications.⁶³ Thus, improving the competitive ability of Ghana's industries with a view to developing economies of scale will be vital to improving welfare under the EPA.

⁶¹ United Nations Industrial Development Organization (2015) Industrial Development Report 2016, The Role of Technology and Innovation in Inclusive and Sustainable Industrial Development, Vienna.

⁶² For more on this, see Action Aid Ghana (2013).

⁶³ A report by IMANI Ghana demonstrated that a large percentage of liberalized products from the EU are industrial machinery, and have no direct competition with Ghanaian products, and in no danger or posing welfare threats. For more on this report, see IMANI Ghana.

Table 11- EU- Ghana Trade Product Breakdown



Source: Acheampong, T., Omane-Achamfuor, M., & Tawiah, N. A. (2014) ⁶⁴

3.8.1. Ghana’s Non Traditional Exports (NTE) and the EPA: An issue of major significance is how the EPA affects Ghana’s non-traditional exports .i.e. a group of intermediate exports that together accounted for the 28% of exports that risked higher tariffs and hence the EPA. These products represents the fastest growing trade export sector, with revenue contributions over USD \$2 billion in a 2012 report cited by IMANI Ghana. ⁶⁵

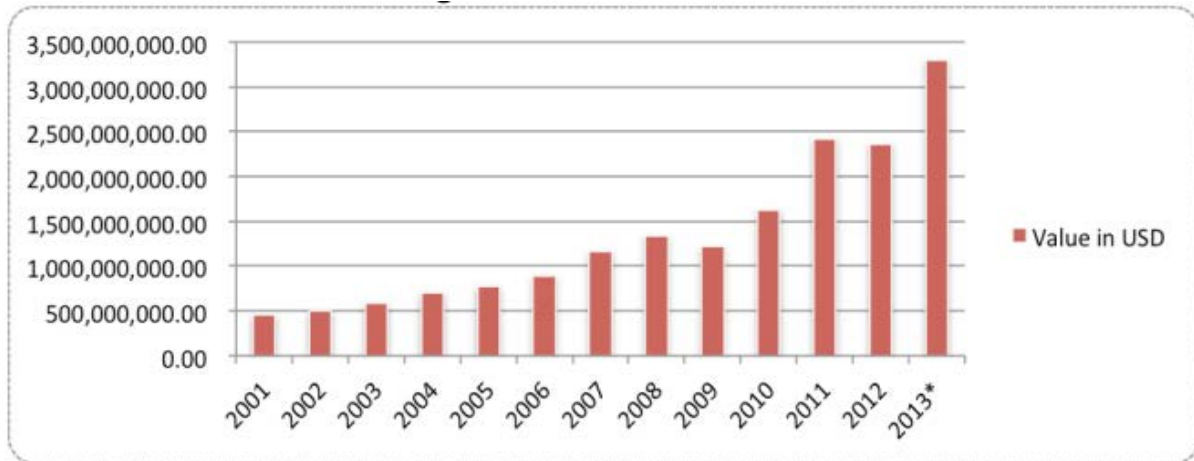
The sector’s growth from the table below quadrupled between 2001 and 2012 .i.e. \$500 million to \$2 billion, demonstrating its capacity to lead Ghana’s industrial drive. This further explains Ghana’s willingness to sign the EPA and protect its competitiveness, as products including Tuna faced EU MFN tariffs of 20.50% (without the EPA). Rules of origin granted under the EPA, together with expectations of investments in the sector holds much

⁶⁴ Acheampong, T., Omane-Achamfuor, M., & Tawiah, N. A. (2014). The Economic Partnership Agreement (Epa) Between Ghana And The European Union: A Developmental Game Changer?.

⁶⁵ IMANI Ghana (2014) IMANI Report: Evidence-based support for Ghana to ratify the EPA Retrieved from: <https://www.modernghana.com/news/535491/1/imani-report-evidence-based-support-for-gh.html>.

promise for welfare improvements. However, this improvement remains dependent on a complexity of factors, including the industry remaining competitive in EU and ECOWAS markets.

Table 12 Growth of Non Traditional Exports (NTE) from Ghana



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

3.9. The EPA and Trade in Agriculture

Ghana- EU trade before the inception of the EPA saw 35% of EU imports entering Ghana duty-free. This leaves 40% of EU imports to be liberalized under Ghana's 75% liberalization schedule. EU's exports to Ghana that attracted the highest tariff bands .i.e. 20% are agricultural products, considered by Ghana to be very sensitive.⁶⁶ Thus, significant percentage of trade in these products remained carved out under Ghana's exclusion list (MAO), protecting the sector from EU's cheap agricultural exports. This list includes goods such as sugar, cereals, chicken and flower, tobacco, frozen fish and beer etc.

⁶⁶ IMANI Ghana (2014) IMANI Report: Evidence-based support for Ghana to ratify the EPA Retrieved from: <https://www.modernghana.com/news/535491/1/imani-report-evidence-based-support-for-gh.html>.

The exclusion list enables agricultural trade with the EU to remain protected. In relation to this, the EUs 100% liberalization also excluded trade in sugar and rice from initial liberalization in 2008, opting for a gradual liberalization of these two products from 2013. With reference to welfare, small holder agriculture represents a significant percentage of Ghana's trade with EU. The effects of the EPA on this sector transcends tariffs, to include sensitive issues such as employment, poverty reduction, food security and development of local industries etc. Thus, carving- out of the sector has had little impact on welfare, especially as the 'stand-still clause' deprives government of the use of tariffs to protect nascent industries. This risk to the agricultural sector's competitiveness can be observed from the consistent increase in EU poultry export shares (%) to Ghana. Notwithstanding the 20% tariff on these products before the EPA, the EUs exports have consistently increased, displacing competitors (United States, Brazil etc.) from the market.⁶⁷ Trade policy instruments including tariffs can be argued as necessary for welfare benefits.

A divisive issue in the agricultural trade relates to the EUs sensitivity to agriculture and in extension its subsidy program. On this issue, Ghana and the EU agreed to raise levels of transparency, with the EU reporting actual subsidy measures and their legal framework and other related information etc. to their Ghanaian counterparts.⁶⁸

3.10. Service Trade under the EPA

Ghana's service sector contributes over 50% of GDP. This highlights the importance of the sector to growth. The EPA opens up important services including banking and insurance, tourism, construction and telecommunications etc. Specific data on the effects are

⁶⁷ IMANI Ghana (2014) IMANI Report: Evidence-based support for Ghana to ratify the EPA
Retrieved from: <https://www.modernghana.com/news/535491/1/imani-report-evidence-based-support-for-gh.html>

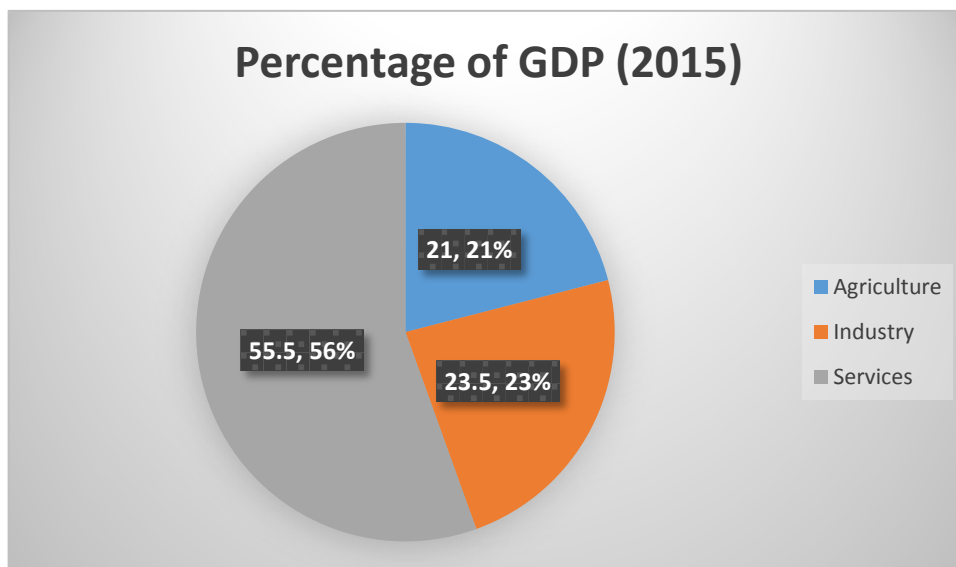
⁶⁸ Ibid.

lacking due to the agreements current (early) stage of implementation. Prior to the EPA, Ghana unilaterally liberalized her service trade, with commitments in maritime transport, telecommunications etc. as part of the structural adjustment program.⁶⁹

Industry perceptions on the EPAs effects on the service sector has been generally positive, with increasing participation of foreign firms expected to further improve the sector. The proliferation of foreign firms within the telecommunications sector for example can be argued to have improved quality of service. Similar experience is observed in the proliferation of new banking institutions within the financial sector.⁷⁰ Capacity improvement and related effects on competition, consumer welfare etc. are expected to remain the major benefits under the EPA within the service sector.

Table

13-



Percentage Shares of Economic Sectors in Ghana

Source: Ghana Statistical Service⁷¹

⁶⁹ WTO (2001) Ghana Trade Policy Review, document WT/TPR/S/81

⁷⁰ Patel M. (2007)

⁷¹ Ghana Statistical Service (2014). Statistics for Development and Progress (Gross Domestic Product 2014) Retrieved from: http://statsghana.gov.gh/docfiles/GDP/GDP_2014.pdf

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*
Table 14 Sector Distribution and Growth in Ghana (Showing Service Sector Growth)										
2. INDUSTRY	20.8	20.7	20.4	19.0	18.8	20.2	22.0	21.3	20.9	23.5
3. SERVICES	48.8	50.2	48.6	49.2	51.3	52.6	53.3	54.3	56.0	55.5
4. GROSS DOMESTIC PRODUCT at basic prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Revised

Source: Ghana Statistical Service⁷²

3.11. The EPA and Additional Issues

Rules of Origin: This provision can be described as asymmetric as it grants generous provisions to Ghana compared to trade under the Cotonou Agreement. The EPA allows accumulation of inputs from regional countries which are EPA members to qualify for entry into the EU as Ghana products. Currently, this provision only extends to Cote d'Ivoire, but imminent ratification of EPAs by regional countries will enable inputs to be sourced and used to boost productivity. The accumulation provision further ensures joint productive ventures among regional countries, and can also be described as an added advantage of trade under the EPA.

Trade Facilitation: Currently, mechanisms to streamline custom procedures and other border issues represent immediate efforts at reducing logistical constraints facing trade.

⁷² Ghana Statistical Service (2016). Statistics for Development and Progress (Gross Domestic Product 2016) Retrieved from: http://statsghana.gov.gh/docfiles/GDP/GDP2016/Revised_Annual_2015_GDP_September%202016%20Edition.pdf.

Efforts at addressing investment challenges .i.e. reducing bureaucratic procedures, introduction of electronic clearance of goods, and improvement of harbour logistics etc. promises further gains towards improving trade in Ghana.

Government Procurement: This aspect of the trade deal has yet to be analysed as there is yet to be a competitive bidding process from EU firms on government projects under the EPA clause. However, it is worthy to note that colonial linkages, tied- aid conditions etc. has enabled EU firms to enjoy competitive advantages in the winning and execution of diverse government contracts, especially in infrastructure provision, where EU firms boast superior expertise and resources. This past linkages informs the position of this author that not much is likely to change in the award of contracts, especially since EU firms have long been operational in Ghana. The government procurement aspect of the EPA may improve project delivery and quality in the long run, a situation that will be beneficial to trade and development.

Development Cooperation: Different provisions in the agreement make emphasis for development assistance; through trade facilitation, capacity enhancement of Ghanaian industries etc. Programs including the National Adaptation strategy to aid banana exporters to the EU market, the 2013-2016 Banana Accompanying Measures (to improve conditions on the farm and supply logistics), the Trade Related Assistance and Quality Enabling Program (TRAQUE) etc. together with other contributions to trade related funds represent an attempt by the EU to promote trade under the EPA.⁷³ These measures, although laudable, fall short of expectation from the EU in addressing EPA challenges.

⁷³ For more on EU aid towards the EPA, see the website of the European Union Delegation to Ghana: http://collections.internetmemory.org/haeu/20160313172652/http://eeas.europa.eu/delegations/ghana/eu_ghana/trade_relation/epa/index_en.htm.

CHAPTER FOUR

CHALLENGES AND OPPORTUNITIES UNDER THE EPA

4.0. Introduction

“It became then obvious to me that between two advanced nations, a free competition must necessarily be advantageous to both if they were upon the same level of industrial progress; and that nation unhappily far behind as to industry, commerce and navigation must above everything put forth all its strength to sustain a struggle with nations already in advance”.

(pg. v-vi) **Friedrich List**, 1856⁷⁴

Mareike Meyn’s paper for the Overseas Development Institute (ODI) is among the early critics of the EPA as not being a comprehensive trade agreement. The author asserted that almost all EPA signatories risk substantial economic costs, a result from hastily drawn and coerced trade agreement. Meyn (2008) further draws on the agreement’s failure to take regional integration into cognizance among a host of other challenges the EPA poses to trade.⁷⁵

To gain a better comprehensive view of the effects, pro- EPA benefits will be assessed against the challenges the agreement presents to Ghana-EU trade.

4.1. Challenges to the Ghana- EU EPA

As indicated earlier, the EPA negotiations were fraught with challenges before key details were finalized. This led the ODI to declare in 2006 that “at present, neither supporters nor opponents of EPAs can demonstrate convincingly that the other is wrong”.⁷⁶ This acknowledgment further reinforces perceptions of the agreement leaving Ghana worse off, a

⁷⁴ List, F., & Colwell, S. (1856). *National system of political economy*. JB Lippincott & Company.

⁷⁵ Meyn, M. (2008). Economic Partnership Agreements: A ‘historic step towards a ‘partnership of equals’?. *Development Policy Review*, 26(5), 515-528.

⁷⁶ Stevens, C. (2006). Economic Partnership Agreements (EPAs): Where we are. *ODI Briefing Paper*, 4.

position that reflects Friedrich List's assertions quoted above (on disparities between trade partners and effects on trade).

4.1.1. Complications in Negotiating a Comprehensive Regional EPA

A primary challenge arising from the current EPA Ghana negotiated is complications in negotiating a regional agreement. Ghana (and Cote d'Ivoire) in negotiating individual EPAs create the challenge of merging the details of the individual EPAs with a unified ECOWAS EPA. Determination of tariff elimination schedules, liberalized goods, and other related aspects of such an FTA become messy, especially as Ghana has already begun liberalization of her market, whereas other ECOWAS countries are yet to begin any such process. Furthermore, ability of Ghana to retain her exclusion list, together with how any comprehensive regional agreement will affect trade is yet to be analysed. Thus Ghana's EPA not only affects integration, but worsens an already complicated trading system fraught with individual country difficulties.

4.1.2. The EPA and Regional Integration

“Our advantage is regional integration. Can the EPA help us integrate our markets? If anything, it will stall us. I don't think EPA is a priority for Africa”⁷⁷

Onkundi Mwencha (Deputy Chairperson of African Union (AU) Commission 2008-2016)

In examining the regional implications of the Ghana-EU EPA, two arguments can be made. Ghana as already mentioned in signing an individual EPA has raised challenges to a comprehensive regional agreement. However, from a different point of view, integration with the EU comes at the expense of progress towards regional integration. ECOWAS has been in

⁷⁷ Exchange, T. (2012). Economic Partnership Agreements—Still Pushing the Wrong Deal for Africa?. *Briefing paper produced in collaboration with Traidcraft Exchange (UK), Comhlamb (Ireland), AITEC (France), and Oxfam Germany and WEED (Germany)*. Retrieved from: http://www.stopepa.de/img/EPAs_Briefing.pdf.

the process of forming a Customs Union to boost intra-regional trade, as well as develop infrastructure. Individual EPAs like Ghana and Cote d'Ivoire take away from this progress towards deeper regional trading.

Not only did the agreement continue to pit LDCs (can benefit from the EBA) against non- LDCs (GSP, GSP+ or EPA) but any imposition of similar market access arrangements on countries with different economic conditions risks collapsing regional integration attempts. Secondly, in negotiating an individual EPA, Ghana risks prioritising her trade with Europe over her regional countries, and this spells negative implications on regional trading. The greatest danger lies in negotiating a comprehensive EPA. In this case, Ghana's trade in the regional market (the ECOWAS market) risks competition with cheaper EU exports. Regional Integration is facilitated through trade, and Ghana's precedence in prioritizing trade with Europe risks negative backlashes.

4.1.3. The EPA and Industrialization

“We cannot continue to export a narrow range of products and import a broad range of finished goods on our way to development. The hard work of industrialization must be done”⁷⁸

Benjamin W. Mkapa, former President of Tanzania (2012)

The period of non-reciprocal trading and associated benefits is over. This was emphatically asserted by the European Centre for Development Policy Management that “the honeymoon period for Africa is over”. Thus the European Commission's communique that “the EU will take vigorous actions to challenge measures which violate WTO, or bilateral rules ...more generally the EU will act against the protectionist use of export restrictions by third countries” reflect the new trading environment Ghana faces.

⁷⁸ Exchange, T. (2012). Economic Partnership Agreements—Still Pushing the Wrong Deal for Africa?. *Briefing paper produced in collaboration with Traidcraft Exchange (UK), Comhlamb (Ireland), AITEC (France), and Oxfam Germany and WEED (Germany)*. Retrieved from: http://www.stopepa.de/img/EPAs_Briefing.pdf

Civil society's concerns on the EPA granting the EU unfettered access to Ghana's market reflects the primary challenge that the EPA currently limits policy space through the use of protectionist measures. The agreement's 'standstill clause' among other things prevents government from raising tariffs to protect sectors that face negative competition. Memories of the negative effects of structural adjustment and its requirements on liberalization make the pursuit of unfettered trade liberalization (of services, government procurement etc.) another challenging issue for civil society. Groups including the Third World Network (TWN) argue that the ambiguity in liberalizing "substantially all the trade" should have been exploited by Ghana to enable a much limited liberalization with longer schedule.

4.1.4. The EPA and Depreciating Market Access

Concerns have been raised that trade preferences granted to Ghana may rapidly diminish and hence unable to offset losses that are incurred. Critics argue that current market access privileges enjoyed under the EPA are eroding and subject to diminish within 5-10 years, especially as the EU continues to negotiate FTAs with other regions. The EU's continuous negotiation of additional FTAs, and its interests in the Andean countries, India, Central America etc. and other more competitive regions is likely to expose Ghana to stiffer competition in the EU market.

Many of these new regions boast superior productive capacities as compared to Ghana, hence making the EU market a less attractive export destination for Ghanaian products. However, similar stiff trade challenges are unlikely to be faced in ECOWAS regional markets (except with the EU products); a trend that is likely to make the EPA a defunct trade agreement with time, while retaining regional markets as more attractive destinations. A study conducted by Patel (2007) indicated that a 100% liberalization of the EU market is

likely to add less than 1% value to Ghana's 2007 exports to the EU.⁷⁹ This shows that no meaningful gains in terms of market access is granted by the EPA in the long term.

4.1.5. Aid for Trade? And Investment

Notwithstanding the EUs promise to link adjustment to the EPA with the EDF, critics continue to doubt if these funds can ameliorate current fiscal losses. The argument is made in light of the fact that no significant increase in development assistance has been provided since the EPA. Funding program under the EDF immediately after Ghana signed the EPA (2008-2013) reflected no additional funds in relation to the EPA. This situation raises significant concerns on how tariff losses can be transcended.

Furthermore, the slow and cumbersome bureaucratic procedures associated with disbursement of the EDF raises questions on its suitability as the mechanism to disburse EPA adjustment funds. Limited capacity in the past has prevented Ghana government from obtaining designated funds under the EDF even years after such funds have been earmarked.⁸⁰ These problems make it imperative for a new aid- for-trade mechanism to distribute EPA funds, which is lacking at the moment.

In the agriculture sector, the Export Development and Agriculture Investment Fund (EDAIF) operational weaknesses and slow disbursement of related agricultural funds continue to hinder Ghana government's ability to help farmers adjust to losses incurred in the sector.⁸¹ It is worthy to note that without supportive investments, trade alone is incapable of stimulating growth. This has led critics of the EPA to argue that "without timely, effective

⁷⁹ Patel, M. (2007). Economic partnership agreements between the EU and African countries: Potential development implications for Ghana. *Realizing Rights, The Ethical Globalization Initiative*.

⁸⁰ European Commission (EC) DG Development (2004) '2004 Mid-Term Review – Ghana', DG Development, West and Central Africa, Caribbean and OCTs, available at <http://delgha.ec.europa.eu/en/publications/MTR%202004%20Ghana%20-%20Conclusions.pdf>

⁸¹ Action Aid- Ghana (2013).

and quick disbursement of development assistance for adjustment costs of liberalization; the EPA may be unable to provide the necessary framework for growth.”⁸²

4.2. Opportunities Provided through the EPA

The EPA is argued to be capable of building sustainable economies, together with a supportive regional logistics and supply chain framework to facilitate trade. Decades of Ghana depending on non- reciprocal trade, through waivers has failed to reflect any substantial growth, but instead an economy structured around commodity trade. Thus, it has become necessary to break away from this cycle and develop new trading relations into vibrant areas like services, government procurement etc. and related frameworks capable of engaging Ghana into the global trade.

The EPA in unlocking these sectors increases Ghana’s prospects for development through trade.

4.2.1. Investment

Although critics contend that the EPA has yet to demonstrate its capacity in attracting investment, it can be argued that opportunities that the agreement opens up Ghana’s banking and insurance sectors, telecommunications etc. represent untapped areas of growth. Furthermore, the EPA through improvements in border and custom procedures .i.e. harmonising of standards and merging of customs related Ghana government agencies to facilitate trade etc. continue to position Ghana as an attractive destination of investment. Improvements in these sectors are likely to have spill-over effects into other trade related sectors.

⁸² Ibid

4.2.2. Reduced Trade Shocks

It can be argued that the EPA offers a contractual agreement to trade .i.e. unlike the GSP that would have regulated trade, the EPA offers market access based on a contract enforceable agreement, hence guaranteeing market access.⁸³ GSP is offered and can be varied, based on the preferences of the EU, but the EPA offers stability to market access, while giving Ghana the option of challenging trade distorting practices of the EU under the agreement.

4.2.3. Wider Developmental Reforms

It is worthy to note that the EPA offers benefits beyond trade. The agreement's focus on wider developmental issues including democracy, capacity enhancement, infrastructure, labour rights etc. represents the EUs attempt at blending development cooperation with trade. The agreement's focus on eliminating tariffs for example builds on the EUs attempt to wean ACP economies off reliance on tariffs, to developing resilient trade structures.⁸⁴ Assessing the EUs focus on bridging infrastructural gaps of ACP economies through the EPA highlight the developmental aspects of the EPA.

⁸³ The EBA, and other EU GSPs are granted unilaterally by the EPA and can be altered based on the preferences of the EU. The EPA is contractual and negotiated by both parties, and changes to it must be agreed by both partners. Thus previous examples of countries attaining a development stage and becoming migrated-off a GSP is avoided under the EPA.

⁸⁴ http://trade.ec.europa.eu/doclib/docs/2013/april/tradoc_151010.pdf.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0. Introduction

This chapter presents a summary of major findings regarding the EPA and Ghana- EU trade. This is followed by the author's conclusions on the effect of the EPA on trade .i.e. whether the agreement is in the interest of Ghana or not. This conclusion is based on the findings of the study. The chapter ends with recommendations on how the EPA can be leveraged for growth, as well as how its defects can be transcended.

5.1. Summary of Findings

Ghana-EU trade relations extended back to precolonial years. Trading under the GATT/WTO began in 1975 under the Lomé Conventions (I- IV) that conferred non-reciprocal access to EU markets. This was followed by the Cotonou Agreement in June 2000, as a transition framework to WTO compatible agreements .i.e. the EPA. The EPA provided duty-free and quota-free access for Ghana's exports to the EU, in exchange for a 75% liberalization of EUs exports to Ghana over a 15 year period.

The EPA can be argued to be necessitated from the need to protect 28% of Ghana's export (non-traditional exports) to the EU that would have incurred high MFN tariffs in the absence of the EPA. This industry represents a fast growing trade sector and vital to Ghana's industrialization aspirations. This need for protection, together with the EUs argument to bring trading relations into conformity with WTO rules explain Ghana's signing of the trade pact.

The nature of the liberalization schedules, together with Ghana carving-out sensitive sectors (agriculture) has dampened the negative effects expected from the agreement. Welfare effects of the agreement highlight a steady decline of Ghana government tariff revenues. This is

calculated at USD \$88,575 per annum. Total direct revenue losses between 2008 and 2022, where the final tranche of tariffs are expected to be liberalized is USD \$1, 126, 807 billion. This is likely to increase given trade diversion effects as well as other trade related effects.

On welfare effects, the EPAs effects on industry are both positive and negative. United Nations Industrial Development Organisation's CPI Index highlights the competitive strength of both trade partners. Using this index, Ghana's industries asymmetric competition against EU exports can be assessed. This represents a growing threat to prospects of industrialization. However, trade liberalization has positive effects on capital goods imports .i.e. industrial machinery, agricultural inputs etc. can be imported by Ghanaian industries at 0% tariff. The EPA further provides generous rules of origin, allowing accumulation of inputs of products from regional countries to qualify for market entry. This is a further boost to industry.

Analyses further highlighted the increasing growth of Ghana's service sector that has contributed to over 50% of GDP in 2015. The EPA in opening this sector raises the opportunity for enhanced competition, with potential welfare gains. Increasing players within the once closed banking and finance industry, together with the telecommunications industry, with players including Vodafone, Zenith Bank, Stanbic Bank and Société Générale etc. has improved these sectors. Similar transformations are expected in line with ongoing harmonisation of standards and streamlining of related institutions.

Within the agricultural sector, findings showed that notwithstanding the Market Access Order, EUs cheap imports threaten some products. Increasing imports of poultry and its effects on the sector was highlighted. These effects are similar to past disastrous effects of liberalization on Ghana's clothing and textile industry.

Not regarding these benefits, declining trade between Ghana and the EU, together with increasing competitiveness of the EU market represent significant challenges. This problem is

likely to extend to the ECOWAS market, especially due to increasing propensity of regional countries to ratify an EPA.

Finally, the agreement has been deemed to be contributing little to FDI inflows. Although the EPA is continuously improving sector competitiveness, findings reveal it has contributed little to FDI, with current inflows attributed to Ghana's 2010 commercial oil exploration. However, since the EU is increasingly importing oil from Ghana, further research is needed to analyse how this oil import is related to oil investments.

5.2. Conclusions

In line with the finding above, I draw the following conclusions on Ghana's trade under the EPA:

1. Notwithstanding the market access granted under the EPA, there is a continuous decline in trade with the EU. This means the EU's market has lost its attractiveness due to factors including the CAP, and increasing EU standards. This limitation inherently limits market access granted, and hence the utility of the trade pact.
2. Ghana risks a collapse of indigenous industries in light of increasing competition from EU exports. This will have effects on employment, poverty reduction and other welfare effects.
3. The EU has managed to negotiate a better deal due to advantages it stands to gain in Ghana's market. Taking into consideration the few FTAs Ghana has signed, the EU faces little competition in Ghana's market, while holding competitive advantage over local firms. In addition to the EU industries' economies of scale, the EPA's market access improves trade gains in general for the EU.

4. The carving-out of the agriculture sector is inadequate in protecting the sector against EU competition. The 'standstill clause' in preventing the use of tariffs to regulate trade, restricts government's policy options in combatting surging EU agriculture exports. This poses a risk of negative effects on the sector.
5. Ghana faces further trade losses in regional markets in light with the pending EU-ECOWAS EPA. Ghana's industries currently export to ECOWAS markets, but the EU in negotiating EPAs with these countries increases the threat of displacement of Ghanaian products. Thus, similar competition effects in Ghana's domestic market are to be expected within the ECOWAS market. This raises the threat of further losses for Ghana.

In line with the above, the EPA poses negative effects to Ghana's industrial development. Notwithstanding the significant market access granted, the threat from EU exports, as well as declining attractiveness of the EU market, together with negatives effects on regional trade means the EPA may not deliver on expected gains. The agreement risks eroding gains made in Ghana's industrial development in light of challenges it poses to competing industrial sectors. Pursuing regional agreements (ECOWAS Customs Union) could have delivered better results. Unless the EPA is revised to address the issues highlighted, Ghana stands to lose more in terms of welfare.

Furthermore, failure of the EDF to grant any substantial aid to transcend adjustment means Ghana is left to deal with the numerous problems on its own. Unless aid-for-trade mechanisms can be implemented, with separate finances from the EDF, adjustment costs (effects on employment, revenue losses, etc.) negate any gains Ghana stands to make.

However, increasing competition in the service sector, together with trade facilitation mechanisms under implementation promises positive gains for service trade, which increasingly is contributing a larger share of GDP. Taking these effects together, the EPA

improves the service sector, but causes significant loss to trade in goods. This together with revenue losses makes the agreement less beneficial to Ghana's trade interests.

5.3. Recommendations

In line with the findings identified within this study, recommendations are made to different stakeholders in Ghana-EU trade relations.

Government of Ghana – Unfettered market opening to EU imports have damaging effects to Ghana's nascent industries. However, the EPA also presents unparalleled market access privileges that can be leveraged for growth. This calls for sustained government efforts at improving productive capacities of Ghanaian industries. This requires developing a long-term industrial strategy, targeting fast growing sectors such as the NTEs, as well as traditional Ghanaian exports (cocoa, minerals etc.). Identifying appropriate technology should be pursued, using access provided by the EPA. Also, supply side constraints regarding logistics etc. should be proactively addressed. In doing these, competition effects can be minimised, while benefitting from the vast market size the EU offers.

The EPA in opening up the service sector through harnessing standards, as well as other trade facilitation measures provides opportunity for growth. Government must lead efforts to attract and coordinate investments opportunities, since market access alone is inadequate to boost growth. Thus, investment incentives including relaxed regulatory access and tax concessions etc. must be explored to attract investors.

On agriculture, government needs to stimulate agricultural production through identifying and utilizing necessary interventions that create fundamental conditions for

productivity improvement. This effort needs to be complemented with improved extension, research and investment into the agriculture sector.

Ghana government must further address the credit constraints facing small scale agriculture. This should be addressed in consultation with the banking and finance sector; as broader investments in this sector will not only increase direct revenues, but further aid reducing poverty in the sector. In line with this, current attempts to include this sector within the tax net should be discouraged, as it risks plunging farmers into deeper poverty. Investments into the sector to boost growth must precede any taxation attempts.

Government of Ghana must be proactive in ensuring that cheap EU goods restricted under the MAO do not make their way into Ghana's market through neighbouring countries. Thus trans-shipment and associated negative effects must be prevented. In addition to this, there should be a proactive market opening with regional countries, especially in light of negative effects of open borders on trade. Close observation of entry points is essential towards curtailing any negative effects of free-borders.

Finally, there is the need to create safety nets to address employment losses and related effects of the EPA. Restructuring domestic productivity and associated aid to firms facing threats of collapse is necessary to sustain Ghana's industrial drive. These mechanisms require efforts similar to SAP adjustment aids in order to transcend the EPAs negative effects.⁸⁵

The European Union - The EU must display greater flexibility in responding to requests for renegotiation of contentious issues during review periods of the EPA. This will be in the

⁸⁵ The Structural Adjustment Program had an associated aid package .i.e. the Program of Action to Mitigate the Structural Costs of Adjustment (PAMSCAD). A similar aid package is necessary to help individuals and firms suffering worst losses as a result of the EPA.

interest of both parties, especially the EU, since its proclivity to adopting entrenched position risks eroding civil society's confidence in it as a true development partner of Ghana.

The EU must also improve aid commitments to address challenges associated with tariff loss. The EDF in this vain must be revised to accommodate budgetary constraints facing the ACP as a whole. Furthermore, delays in disbursement of funds including the EDAIF must be addressed.

Lastly, the EUs penchant to the use of threats, unrealistic negotiation deadlines and other bullying tactics during negotiations must be redressed. The union must take cognizance of the different developmental capacities of ACP countries including Ghana during negotiations with the EU, and realise the effects of these limitations on negotiation capacities. Adopting such negative tactics feeds into perceptions of the EU not concerned with developmental impacts of trade agreements on Ghana.

Civil Society- Sustained debate on the effects of the EPA is necessary to draw government's attention to challenges facing Ghanaian producers and exporters. However, attempt must be made to reduce false propaganda, with political undertones that have blurred discussions on the EPA.

Civil society must further endeavour to engage relevant government sectors on trade and development e.g. the Select Parliamentary Committee on Trade and Industry, Ministry of Trade and Industry etc. to continue agitation and pressing for government policy frameworks to address constraints of the EPA.

ACP/ ECOWAS- Finally, the issue of Britain's exit from the European Union (Brexit) raises new dynamics on the EPA, with likely effects on all signatory ACP countries including Ghana. This study was unable to explore the effects of Brexit on the EPA, especially in light of the fact that Brexit negotiations were ongoing at the time of writing this paper. Considering the fact that Ghana and Britain (as well as other ACP countries) have extensive

trade relations since pre-colonial era, further research is highly recommended on post- Brexit trade between Ghana and Britain and how it affects the EPA. This can be conducted after Britain concludes its exit negotiations. This study can focus on how trade relations should be structured, as well as concessions that should be made by both parties.

REFERENCES

- Action-Aid- Ghana. (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_-
- Asia Development Bank (ADB, 2002). “*Preferential Trade Agreements in Asia and the Pacific*”, Part III in Asian Development Outlook 2002, ADB, Manila.
- Bhagwati, J. (1993). Regionalism and multilateralism: an overview. *New dimensions in regional integration*, 22, 51.
- Bhagwati, J. N., & Krishna, P. (1999). *Trading blocs: Alternative approaches to analyzing preferential trade agreements*. Mit Press.
- Bhagwati, J., Greenaway, D., & Panagariya, A. (1998). Trading preferentially: Theory and policy. *The Economic Journal*, 108(449), 1128-1148.
- Bilal, S. and C. Stevens (edited by) 2009 *The Interim Economic Partnership Agreements between the EU and African States: Contents, challenges and prospects*. (ECDPM Policy Management Report 17). Maastricht: ECDPM. www.ecdpm.org/pmr17 ECDPM Policy Management Report 17, 2009
- Borrmann, A., & Busse, M. (2007). The institutional challenge of the ACP/EU Economic Partnership agreements. *Development Policy Review*, 25(4), 403-416.
- Brenton, P., Hoppe, M., & von Uexkull, E. (2007). Evaluating the Revenue Effects of Trade Policy Options for COMESA Countries: the Impacts of a Customs Union and an EPA with the European Union. *Paper prepared as part of the World Bank–COMESA Joint Work Program for Regional Integration and EPA negotiations*. Washington, DC.
- Bui., T. G. (2004). Emerging FTA Approach in East Asia and Policy Implications for Vietnam. Thesis submitted to the KDI School

- Busse, M., & Großmann, H. (2007). The trade and fiscal impact of EU/ACP economic partnership agreements on West African countries. *Journal of Development Studies*, 43(5), 787-811.
- Busse, M., Borrmann, A., Großmann, H., & Hamburg, J. (2004). The impact of ACP/EU Economic Partnership Agreements on ECOWAS countries: An empirical analysis of the trade and budget effects. *Institut für Wirtschaftsforschung, Hamburg*.
- Charlton, A. et J. E. Stiglitz (2007), Pour un commerce mondial plus juste, Traduit de l'anglais par Paul Chemla, Nouveaux Horizons. Cited in Koné, S. (2010). Economic partnership agreement between West Africa and the European union in the context of the world trade organization (WTO) and the regional integration process. *Journal of Economic Integration*, 104-128
- Cooper, R. N. (2004). Comment in Schott, J. (2004). *Free trade agreements: US strategies and priorities*. Peterson Institute for International Economics.
- Coe, D. T., & Hoffmaister, A. W. (1999). North-South trade: is Africa unusual?. *Journal of African Economies*, 8(2), 228-256.
- Chomo, G. V. (2002). *Free trade agreements between developing and industrialized countries comparing the US-Jordan FTA with Mexico's experience under NAFTA*. DIANE Publishing.
- De Melo, J., Panagariya, A., & Rodrik, D. (1992). Regional integration: An analytical and empirical overview. *New Dimensions in Regional Integration*. New York: Cambridge University Press, forthcoming.
- European Commission (EC) DG Development (2004) '2004 Mid-Term Review – Ghana', DG Development, West and Central Africa, Caribbean and OCTs, available at <http://delgha.ec.europa.eu/en/publications/MTR%202004%20Ghana%20-%20Conclusions.pdf>
- 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/>
- Exchange, T. (2012). Economic Partnership Agreements—Still Pushing the Wrong Deal for Africa?. *Briefing paper produced in collaboration with Traidcraft Exchange (UK), Comhlamb (Ireland), AITEC (France), and Oxfam Germany and WEED (Germany)*. Retrieved from: http://www.stopepa.de/img/EPAs_Briefing.pdf
- Foroutan, F., & Pritchett, L. (1993). Intra-sub-Saharan African trade: is it too little?. *Journal of African Economies*, 2(1), 74-105.
- Goodison, P. (2007). The future of Africa's trade with Europe: 'New' EU trade policy. *Review of African Political Economy*, 34(111), 139-151.
- Grossman, G. M., & Helpman, E. (1995). The politics of free-trade agreements. *The American economic review (USA)*.
- 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-ghanato-ratify-the-epa/>

- Irwin, D. A. (2003). *Free Trade Under Fire*. Princeton University Press.
- Karingi, S., Lang, R., Oulmane, N., Perez, R., Jallab, M. S., & Hammouda, H. B. (2005). Economic and welfare impacts of the EU-Africa Economic Partnership Agreements. *Africa Trade Policy Centre, Economic Commission for Africa*.
- Koné, S. (2010). Economic partnership agreement between West Africa and the European union in the context of the world trade organization (WTO) and the regional integration process. *Journal of Economic Integration*, 104-128.
- Krueger, A. O. (1999). Are preferential trading arrangements trade-liberalizing or protectionist?. *The Journal of Economic Perspectives*, 13(4), 105-124.
- Lawrence, R. Z. (2000). *Regionalism, multilateralism, and deeper integration*. Brookings Institution Press.
- Lecomte, H. B. S., & Bernard, H. (1998). *Options for Future ACP-EU Trade Relations*. European centre for development policy management.
- List, F., & Colwell, S. (1856). *National system of political economy*. JB Lippincott & Company.
- McKay, A., Milner, C., & Morrissey, O. (2000). *The Trade and Welfare Effects of a Regional Economic Partnership Agreement*. Centre for Research in Economic Development and International Trade, University of Nottingham.
- Meyn, M. (2008). Economic Partnership Agreements: A ‘historic step’ towards a ‘partnership of equals’?. *Development Policy Review*, 26(5), 515-528.
- 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-opinionfiles/2588.pdf>
- Panagariya, A. (1999). The regionalism debate: an overview. *The World Economy*, 22(4), 455-476.
- Panagariya, A., & Bhagwati, J. (1996). The Economics of Preferential Trade Agreements.
- Patel, M. (2007). Economic partnership agreements between the EU and African countries: Potential development implications for Ghana. *Realizing Rights, The Ethical Globalization Initiative*.
- Rodrik, D. (1998). *Trade Policy and Economic Performance in Sub-Saharan Africa* (No. 6562). National Bureau of Economic Research, Inc.
- Schiff, M. (1997). Small is beautiful: Preferential trade agreements and the impact of country size, market share, and smuggling. *Journal of Economic Integration*, 359-387.
- Schott, J. J. (2004). Free trade agreements: boon or bane of the world trading system. *Free trade agreements: US strategies and priorities*, 3(11).
- Scollay, R. (2001). The changing outlook for Asia-Pacific regionalism. *The World Economy*, 24(9), 1135-1160.
- Siroën, J-M. (2000), “L’ouverture Commerciale est-elle Mesurable?”, Colloque Ouverture économique et développement, Tunis, 22-23-24 juin 2000. Cited in Koné, S. (2010).

Economic partnership agreement between West Africa and the European union in the context of the world trade organization (WTO) and the regional integration process. *Journal of Economic Integration*, 104-128

Summers, L. (1991). Regionalism and the world trading system. *Policy implications of trade and currency zones*, 295-301.

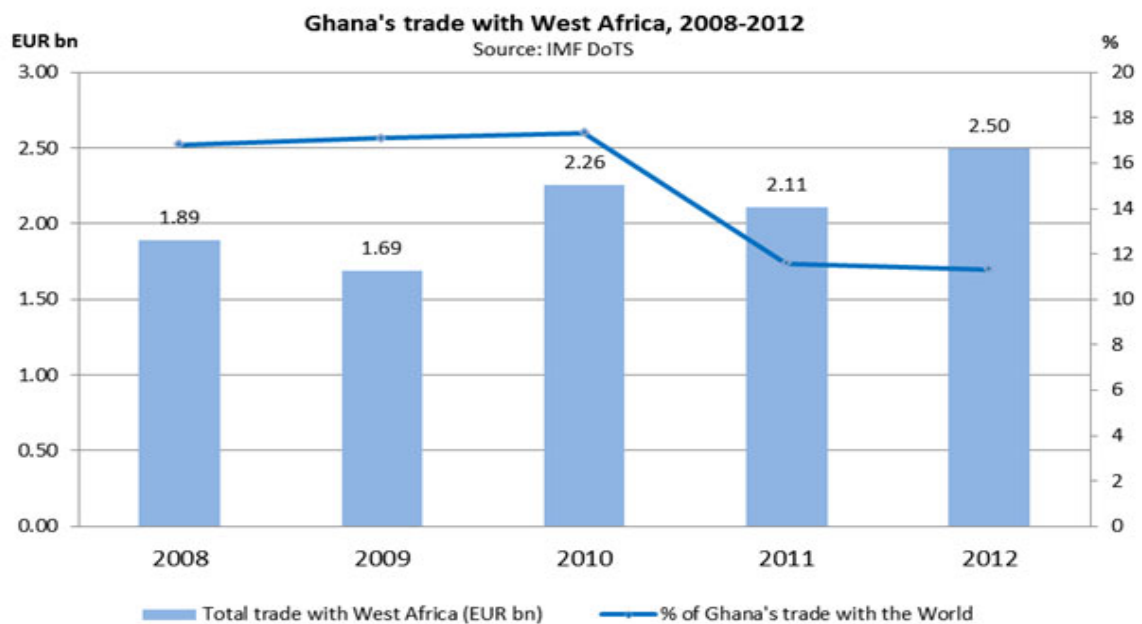
Urata, S. (2002). Globalization and the growth in free trade agreements. *Asia Pacific Review*, 9(1), 20-32.

V., J. (1950). The customs union issue. *New York, Carnegie*.

World Bank (2004): “*East Asia Integrates*”, Washington D.C, USA

World Trade Organization (WTO) (1995): “*Regional Trading Arrangements and the World Trading System*”, WTO, Geneva.

APPENDIX A- Ghana’s Trade with ECOWAS and EU’s Trade with Ghana



Source: Website of the Delegation of the European Union to Ghana. At: http://collections.internetmemory.org/haeu/20160313172652/http://eeas.europa.eu/delegations/ghana/eu_ghana/trade_relation/bilateral_trade/regional_trade/index_en.htm



Source: Website of the Delegation of the European Union to Ghana.
At: http://collections.internetmemory.org/haeu/20160313172652/http://ceas.europa.eu/delegations/ghana/eu_ghana/trade_relation/bilateral_trade/index_en.htm

APPENDIX B- (Ghana's Exclusion List)

HS2	Description	Share of total ³⁸
39	plastics and articles thereof	7.1%
03	fish and crustaceans, molluscs and other aquatic invertebrates	6.2%
02	Meat and edible meat offal	5.8%
20	preparations of vegetables, fruit, nuts or other parts of plants	5.4%
48	paper and paperboard; articles of paper pulp, of paper or of paperboard	4.7%
68	articles of stone, plaster, cement, asbestos, mica or similar materials	3.6%
70	glass and glassware	3.6%
15	animal/vegetable fats and oils and their cleavage products; prepared edible fats; animal/vegetable waxes	3.3%
85	electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	3.2%
40	rubber and articles thereof	2.8%
90	optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	2.6%
16	preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	2.5%
69	ceramic products	2.3%
84	nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	2.3%
73	articles of iron or steel	2.1%
94	furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, nesoi; illuminated signs, illuminated name-plates and the like; prefabricated	2.1%
22	beverages, spirits and vinegar	2.0%
95	toys, games and sports requisites; parts and accessories thereof	2.0%
96	miscellaneous manufactured articles	1.9%
37	photographic or cinematographic goods	1.8%
01	live animals	1.7%
19	preparations of cereals, flour, starch or milk; pastry cooks' products	1.6%
44	wood and articles of wood; wood charcoal	1.6%
11	products of the milling industry; malt; starches; inulin; wheat gluten	1.5%
61	articles of apparel and clothing accessories, knitted or crocheted	1.5%
76	aluminium and articles thereof	1.4%
04	dairy produce; birds' eggs; natural honey; edible products of animal origin, nesoi	1.3%
33	essential oils and resinoids; perfumery, cosmetic or toilet preparations	1.3%
08	edible fruit and nuts; peel of citrus fruits or melons	1.2%
10	Cereals	1.2%
12	oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	1.2%
42	articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)	1.2%
56	wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	1.2%
82	tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	1.2%
21	miscellaneous edible preparations	1.1%
13	Lac; gums, resins and other vegetable saps and extracts	1.0%
18	cocoa and cocoa preparations	0.9%
63	other made-up textile articles; sets; worn clothing and worn textile articles; rags	0.9%
25	salt; sulphur; earths and stone; plastering materials, lime and cement	0.8%
34	soap, organic surface-active agents, washing preparations, lubricating preparations, artificial	0.8%
32	tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter;	0.7%
17	sugars and sugar confectionery	0.6%
36	explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	0.6%
46	manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	0.6%
87	vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	0.6%
23	residues and waste from the food industries; prepared animal fodder	0.5%
24	tobacco and manufactured tobacco substitutes	0.5%
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial	0.5%

74	copper and articles thereof	0.4%
89	ships, boats and floating structures	0.4%
35	albuminoidal substances; modified starches; glues; enzymes	0.3%
49	printed books, newspapers, pictures and other products of the printing industry; manuscripts,	0.3%
51	wool, fine or coarse animal hair; horsehair yarn and woven fabric	0.3%
83	miscellaneous articles of base metal	0.3%
06	live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	0.2%
07	edible vegetables and certain roots and tubers	0.2%
14	vegetable plaiting materials; vegetable products nesoi	0.2%
38	miscellaneous chemical products	0.2%
45	cork and articles of cork	0.2%
58	special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	0.2%
67	prepared feathers/down and articles made of feathers/down; artificial flowers; articles of human hair	0.2%
71	natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	0.2%
97	works of art, collectors' pieces and antiques	0.2%
47	pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard	0.1%
57	carpets and other textile floor coverings	0.1%
93	arms and ammunition; parts and accessories thereof	0.1%

Source: Bilal s. and C. Stevens (edited by) 2009

APPENDIX C (I)- Ghana –EU Trade Statistics

European Union, Trade with Ghana

Trade flows by HS section 2011 - 2015

Source Eurostat Comext - Statistical regime 4

HS Sections	Imports Value Mio €				Exports Value Mio €			
	2012	2013	2014	2015	2012	2013	2014	2015
Total	3,300	3,379	2,885	2,644	3,613	3,416	3,112	3,045
I Live animals; animal products	18	10	20	18	150	180	138	177
II Vegetable products	135	151	151	170	46	42	33	38
III Animal or vegetable fats and oils	20	23	34	34	30	30	22	27
IV Foodstuffs, beverages, tobacco	1,352	1,070	1,259	1,475	182	203	138	140
V Mineral products	1,602	1,910	1,224	773	1,155	1,151	1,268	753
VI Products of the chemical or allied industries	1	1	3	4	331	314	281	329
VII Plastics, rubber and articles thereof	22	27	24	22	97	89	80	88
VIII Raw hides and skins, and saddlery	0	0	0	0	4	6	6	8
IX Wood, charcoal and cork and articles thereof	42	36	35	31	2	3	3	4
X Pulp of wood, paper and paperboard	0	0	0	0	47	70	51	63
XI Textiles and textile articles	1	2	2	0	91	90	81	106
XII Footwear, hats and other headgear	0	0	0	0	5	5	5	6
XIII Articles of stone, glass and ceramics	0	0	0	0	29	30	32	35
XIV Pearls, precious metals and articles thereof	12	16	8	6	1	1	0	1
XV Base metals and articles thereof	68	77	87	83	168	123	127	289
XVI Machinery and appliances	12	15	24	17	732	662	564	641
XVII Transport equipment	1	32	3	3	371	295	167	207
XVIII Optical and photographic instruments, etc.	10	2	3	3	61	58	43	53
XIX Arms and ammunition		0			0	3	3	7
XX Miscellaneous manufactured articles	0	0	1	0	34	35	42	40
XXI Works of art and antiques	1	0	0	0	0	0	0	0
XXII Not classified	5	6	7	5	75	28	28	32
AMA / NAMA Product Groups								
Total	3,300	3,379	2,885	2,644	3,613	3,416	3,112	3,045
Agricultural products (WTO AoA)	1,387	1,137	1,335	1,509	378	422	314	341
Fishery products	137	119	131	188	34	39	24	49
Industrial products	1,776	2,123	1,419	947	3,201	2,955	2,774	2,655

APPENDIX C (II) - Ghana –EU Trade Statistics

European Union, Trade with Ghana

Trade flows by HS section 2015

Source Eurostat Comext - Statistical regime 4

HS Sections	Imports				Exports			
	Value Mio €	% Total	% Extra-EU	% Growth*	Value Mio €	% Total	% Extra-EU	% Growth*
Total	2,644	100.0	0.2	-8.3	3,045	100.0	0.2	-2.2
I Live animals; animal products	18	0.7	0.1	-9.9	177	5.8	0.7	28.1
II Vegetable products	170	6.4	0.3	12.2	38	1.3	0.1	16.8
III Animal or vegetable fats and oils	34	1.3	0.4	0.1	27	0.9	0.5	23.4
IV Foodstuffs, beverages, tobacco	1,475	55.8	3.3	17.2	140	4.6	0.2	0.9
V Mineral products	773	29.2	0.2	-36.9	753	24.7	0.8	-40.6
VI Products of the chemical or allied industries	4	0.1	0.0	42.0	329	10.8	0.1	17.3
VII Plastics, rubber and articles thereof	22	0.8	0.0	-9.1	88	2.9	0.1	9.8
VIII Raw hides and skins, and saddlery	0	0.0	0.0	60.8	8	0.3	0.0	31.5
IX Wood, charcoal and cork and articles thereof	31	1.2	0.3	-12.7	4	0.1	0.0	70.2
X Pulp of wood, paper and paperboard	0	0.0	0.0	-37.6	63	2.1	0.2	24.6
XI Textiles and textile articles	0	0.0	0.0	-89.2	106	3.5	0.2	31.4
XII Footwear, hats and other headgear	0	0.0	0.0	3.7	6	0.2	0.1	20.1
XIII Articles of stone, glass and ceramics	0	0.0	0.0	146.6	35	1.1	0.2	10.2
XIV Pearls, precious metals and articles thereof	6	0.2	0.0	-21.5	1	0.0	0.0	208.8
XV Base metals and articles thereof	83	3.1	0.1	-4.1	289	9.5	0.3	127.9
XVI Machinery and appliances	17	0.6	0.0	-29.9	641	21.0	0.1	13.7
XVII Transport equipment	3	0.1	0.0	1.7	207	6.8	0.1	24.2
XVIII Optical and photographic instruments, etc.	3	0.1	0.0	-23.7	53	1.7	0.1	23.0
XIX Arms and ammunition					7	0.2	0.1	102.5
XX Miscellaneous manufactured articles	0	0.0	0.0	-26.9	40	1.3	0.1	-6.5
XXI Works of art and antiques	0	0.0	0.0	-32.3	0	0.0	0.0	-40.9
XXII Not classified	5	0.2	0.0	-24.4	32	1.1	0.1	15.2
AMA / NAMA Product Groups								
Total	2,644	100.0	0.2	-8.3	3,045	100.0	0.2	-2.2
Agricultural products (WTO AoA)	1,509	57.1	0.1	13.0	341	11.2	0.0	8.6
Fishery products	188	7.1	0.0	43.7	49	1.6	0.0	101.9
Industrial products	947	35.8	0.1	-33.2	2,655	87.2	0.1	-4.3

APPENDIX D- Ghana's Trade with the World (Statistics)

Ghana, Trade with World

Total Goods: Trade flows and balance

Source IMF

Period	Imports		Exports		Balance		Total trade	
	Value Mio €	% Growth*	Value Mio €	% Growth*	Value Mio €	% Growth*	Value Mio €	% Growth*
2005	4,755		1,937		-2,818		6,692	
2006	5,575	17.3	2,267	17.1	-3,308	17.4	7,843	17.2
2007	6,921	24.1	2,513	10.9	-4,408	33.3	9,435	20.3
2008	8,293	19.8	3,005	19.6	-5,288	20.0	11,298	19.8
2009	7,372	-11.1	2,525	-16.0	-4,847	-8.4	9,898	-12.4
2010	9,683	31.3	3,309	31.0	-6,373	31.5	12,992	31.3
2011	12,469	28.8	6,062	83.2	-6,407	0.5	18,531	42.6
2012	16,589	33.0	7,177	18.4	-9,412	46.9	23,766	28.3
2013	15,231	-8.2	7,713	7.5	-7,518	-20.1	22,945	-3.5
2014	13,290	-12.7	8,648	12.1	-4,643	-38.3	21,938	-4.4
2015	16,153	21.5	9,676	11.9	-6,477	39.5	25,828	17.7

Total Goods: Top trading partners 2015

Source IMF

Partner		Imports		Exports		Total trade					
		Value Mio €	% World	Value Mio €	% World	Value Mio €	% World				
	World	16,153	100.0	World	9,676	100.0	World	25,828	100.0		
1	China	5,267	32.6	1	India	2,636	27.2	1	China	6,250	24.2
2	EU 28	3,346	20.7	2	EU 28	2,178	22.5	2	EU 28	5,524	21.4
3	Nigeria	2,269	14.0	3	Switzerland	1,134	11.7	3	India	3,273	12.7
4	USA	880	5.4	4	China	983	10.2	4	Nigeria	2,359	9.1
5	India	637	3.9	5	USA	253	2.6	5	Switzerland	1,159	4.5
6	Ivory Coast	478	3.0	6	Malaysia	232	2.4	6	USA	1,133	4.4
7	South Africa	341	2.1	7	Turkey	138	1.4	7	Ivory Coast	536	2.1
8	South Korea	251	1.6	8	Burkina Faso	107	1.1	8	Malaysia	400	1.5
9	Turkey	218	1.3	9	Japan	100	1.0	9	Turkey	356	1.4
10	Thailand	185	1.1	10	Singapore	97	1.0	10	South Africa	354	1.4
2	EU 28	3,346	20.7	2	EU 28	2,178	22.5	2	EU 28	5,524	21.4

World trade: excluding intra-region trade

Top partners: excluding region member states

% Growth: relative variation between current and previous period