The EU-ECOWAS Economic Partnership Agreement Dilemma

International trade is important for economic growth as it accounts for a good part of a country’s gross domestic product (GDP) and is also one of the sources of revenue. The European Union (EU) and African, Caribbean and Pacific (ACP) countries have been negotiating the Economic Partnership Agreements (EPA) for more than ten years. Recently, Economic Community of West African States (ECOWAS) concluded the EPA negotiations with the EU. A lot of concerns were raised on the structure and content of EPA between the EU and ECOWAS with regard to the impacts that the EPAs will have on the development process in West Africa.

Impact of EPA

The objectives and principles of EPAs are quite rational and promising, but observers believe that possible negative effects can overshadow the positive ones. ECOWAS may continue to benefit from favourable rules of origin and market access but would not be able to go beyond what is currently obtained. Preferential access to EU products, under reciprocity will expose the production sectors in ECOWAS to various risks due to unequal capacity to compete on the same playing field.

Farmers and producers in ECOWAS countries will be forced into direct and unfair competition with efficient and highly subsidised EU producers. The consumers would be burdened more, since the government is likely to rely only on domestic taxes, which sellers and producers are likely to transfer to final consumers.

Reducing the EPA Burdens

ECOWAS should pursue policies to increase value added export trade with EU and other non-EU countries to increase foreign exchange earnings. ECOWAS members should be engaged in more intra-regional trade and assess members’ potential and develop good domestic policies, so that sectors like agriculture can thrive through value addition.

The ECOWAS countries could also opt to export labour into EU, whose returns are taxed to supplement the government revenues.

EPA-related costs

The business community in the ECOWAS countries are divided on whether their governments should ratify the EPA. Exporters to the EU favour signing, while manufacturers targeting national and sub-regional markets oppose the agreement.

In case of Ghana, a number of exporters claimed that their industries would collapse if an EPA was not concluded, being dependent on the EU market. But the Association of Ghana Industries (AGI) is not in favour of the government to conclude the EPA. Ghanaian government maintained that losing duty-free access to the EU market could lead to “dire consequences” since 49 percent of exports would be affected.

Meeting the deadline

As part of EPA negotiations, ECOWAS was required to meet the deadline of October 2014. A series of meetings were held to decide upon signing in March 2013 to which ECOWAS failed to sign because some member states particularly Nigeria, had raised technical issues with the agreement. In July 2014, in Accra, the ECOWAS leaders decisively approved the EPA. West African Chief Negotiator was instructed to take appropriate steps to initiate signing and implementing the agreement.

The onus of deriving benefits from EPAs, therefore, lies on ECOWAS governments' ability to implement the EPAs properly and ensure that the foreseen benefits are realised by the ECOWAS member countries.
**Capacity Building and Value Addition**

Farmers in Embu County are set to benefit from a value addition programme in which each location will process its own main agricultural produce modelled along with ‘One Village One Product’ programme by Japan International Cooperation Agency (JICA), the initiative will help the farmers to find markets.

County Executive Member of Investments and Industrialisation, Pauline Njagi, said that the farmers currently sell over 95 percent of their produce in raw form. Njagi said that they would assist each location or group of farmers to concentrate on a product they are good in producing and help them add value to it to realise more income.

She also said that they were partnering with the Ministry of Industrialisation and JICA to have all products from the county certified by the Kenya Bureau of Standards.  

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**Stabilising Fuel Prices**

The Zambian Energy Minister, Christopher Yaluma, said that the continued appreciation of the kwacha against major convertibles will help to stabilise fuel pump prices. The kwacha has been showing strong signs of stability following the introduction of monitoring policy measures by the central bank.

It is anticipated that the local currency would continue trading on an upward trajectory as corporates continue to supply the US dollar in the market. It is good sign that the kwacha is appreciating presently.

A fall in the kwacha forced the government to hike fuel pump prices in April by an average of 8.3 percent. The current stable crude oil prices internationally were also giving the government comfort that correction on the kwacha parity should positively impact the domestic pump prices. *(TPN, 17.06.14)*

**SA’s Account Deficit Narrows**

South Africa’s (SAs) current account deficit narrowed to 4.5 percent of GDP in the first quarter from a shortfall of 5.1 percent in the previous quarter of 2013, the Reserve Bank said. “As a ratio of GDP, the deficit on the current account narrowed to 4.5 percent”, the central bank pointed in its bulletin.

Market expectation had been for the deficit to widen up to 6.1 percent. The annualised shortfall on the trade account widened to Rand 75bn in the first quarter from Rand 45bn in the fourth quarter of 2013. The deficit on the services, income and current transfer account with the rest of the world narrowed considerably on account of notably lower net dividend payments to non-resident investors.

The contraction in the deficit on this accounts more than neutralised the deterioration in the trade balance. *(www.southafrica.info, 19.06.14)*

**Tough on Cheap Imports**

The Dutch Ambassador to Ghana, Hans Doctor, has proposed to the government to be tougher on cheap imports in order to save local industries from collapsing in order to derive the required revenue. The diplomat also urged the government to privatise some sectors of the economy and reform its customs’ procedures to reduce the burden on the state.

Hans said, “The government must ensure a strict compliance with the deportation of substandard goods and plug the loopholes in the tax administration system”.

Moreover, the Ambassador wants the government to reduce its involvement in certain sectors of the economy and allow the private sector to participate. The government does not have to invest its own money in port expansion. Public Private Partnership (PPP) is a model for Ghana to follow, particularly as the government’s budget is stretch.

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**Key for Zambia’s Prosperity**

Information and Communication Technology (ICT) holds the key to Zambia’s prosperity. By harnessing technology in the country, the government is also aware of how fast technology will help Zambia attain middle income status by 2030, Communications Minister, Yamfwa Mukanga, said.

He said that it is important for the country to turn possibilities that technology can bring about into reality, the more reason it is further necessary for the country to learn from the latest technology trends from other advanced countries.

He observed that by virtue of Huawei being one of the world’s leading ICT solution providers, governments honored to have its products showcased in the country providing an opportunity for communication and exchange of ideas of how ICT can benefit Zambia.

*(Lusaka Times, 06.05.14)*

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**Key to Growth**

Africa’s Ministers of Agriculture met in April 2014 in Addis Ababa to debate the policies for shaping an agricultural market projected to be worth $1tn (Sh87tn) by 2030, three times of its size in 2010.

Though the market is beset by volatility and incoherence but Africa’s entrepreneurial drive should not be underestimated or the potential of the millions of its smallholder farmers to feed the continent and the world.

Africa’s smallholder farmers can be agriculture’s game changers of the 21st Century. Up to 80 percent of the food in Africa is produced by smallholder farmers – people who tend crops and raise livestock on less than a hectare of land.

The reality is that the real output from this class of farmers remains far below their potential. The fact is that when Africa’s farmers get hold of what their counterparts elsewhere in the world take for granted, they will rapidly catch up. *(BD, 29.04.14)*
**News on Trade**

**Deal in Ministers’ Hands**

Negotiations for a new trade deal between Europe and East Africa have been referred to the Council of Ministers from the two blocs for direction after technical teams failed again to agree on few sticky issues.

The Council of Ministers – the top decision making organ of EU and the EAC is expected to give a final word on the long-delayed signing of a preferential economic partnership between the blocs. Nairobi hosted the technical teams from the EAC and EU for crunch talks during which the two blocs struck a deal on the Rules of Origin (RoO), the Most Favoured Nation (MFN) and policies in support of their respective domestic agricultural sectors.

The parties remained deadlocked on five issues including export taxes, domestic support and export subsidies, tackling the proliferation of weapons of mass destruction, human rights and corruption as well as good governance.

**Smuggling Sours Market**

Africa’s sugar producers want governments to tighten border controls across the continent and tackle sugar smuggling, a problem that was helping drive down local sugar prices. Rosemary Mkok, Chief Executive of the Kenya Sugar Board, said that smuggling was a barrier in East Africa’s biggest economy.

“In the period between January 2014 to date, the market (in Kenya) has experienced a decline in sugar prices to a low of Sh3,128 for a 50 kilogram bag, against an average industry break-even of $43”, Mkok said.

Prices on the global market, especially in the EU – Africa’s biggest external market – have fallen sharply over the last few years due to oversupply and African producers seeking new markets to cushion themselves.

**Trade Will Double by 2020**

Trade volume with Africa will double by 2020, Chinese Premier Li Keqiang told the African Union during his visit to the continent. Chinese direct investment was also expected to quadruple to US$100bn within that time. But the deeper economic partnership should broaden beyond its current focus, Li said.

“The collaboration must not be limited to energy and infrastructure but expanded to modernisation of agriculture, with more attention given to green, low-carbon development and environmental protection”, Li said.

China wanted to become “actively involved” in the continent’s economic advancement and would seek to promote the development of its textile, home electronics and manufacturing industries.

**Alternatives to EPAs**

The Economic Justice Network (EJN), one of the most vocal critics of the EU’s EPAs with ECOWAS, said that there is a workable alternative to the controversial trade deal, which it warned, will cripple domestic industries if accepted in its current form.

The network, which includes civil society think-tank Third World Network-Africa, the Trades Union Congress, the Ghana Chamber of Commerce and the Christian Council, said that the Government can use part of the import tariff revenue it will save from not signing the EPA to absorb the taxes that will be slapped on the exporters by the EU.

Without the EPAs, 72 percent of Ghana’s exports to the EU will be benefited from duty-free, quota-free access, while 28 percent mainly tuna, fruits and vegetables, cocoa butter and paste will face duties.

**Free Movement Policies**

The Minister of Foreign Affairs and Regional Integration, Hannah Tetteh, has urged member states of ECOWAS to continue to harmonise their national policies and procedures that relate to the free movement of persons, goods and services.

Tetteh indicated that in order to ensure the proper management of migration issues within the sub-region to enable both origin and destination countries to gain the desired benefits, member states of ECOWAS must continue to harmonise their national policies and procedures that relate to the free movement of persons, goods and services.

She added that human capital will migrate from one country to the other and cannot be stopped. However, in order to get the gains from these movements, ECOWAS states must manage the issue of migration properly.

**Trade at New Heights**

A push to remove unnecessary trade barriers and develop key infrastructure projects has driven trade between East African countries to new heights. New data by the United Nations Economic Commission for Africa (UNECA) shows that between 2000 and 2012, EAC countries traded more with each other than with any other trading blocs in the continent, boosting average intra-regional exports, as a percentage by destination of 19.5 percent.

Comparatively, Southern African Development Community (SADC) is second with an intra-regional export average of 10.9 percent, followed by Inter-governmental Authority on Development (9.2 percent) and ECOWAS coming fourth with 8.7 percent. However, the intra-EAC trade still suffered hiccups arising from several barriers erected by the member states.

**Tradequity**

Year 13, No. 2/2014
News on Trade

**EPAs over AGOA Extolled**

The Economic Advisor to the President Mahama, Nii Moi Thompson, said that unlike America’s African Growth and Opportunity Act (AGOA), African governments were given the opportunity to contribute to the formulation of the European Union’s EPAs, which makes them a better deal.

The inclusion of African states to the formulation of the EPAs had led to the modification of certain aspects of the agreement, thus making it an inclusive partnership agreement, which will benefit both the parties.

Thomson further stated that with or without the EPAs, the country needs to focus on what it does internally to turn its fortunes around and resolving the energy crisis will be the key. The government said that a fiscal impact assessment will be conducted before deciding to sign onto the EPAs.  

**Denmark to Cut Aid to Ghana**

Denmark plans to gradually downscale its aid programme to Ghana and engage more in the areas of trade and investment. Denmark, in its comprehensive country policy (2014-2018) plans to consolidate its programmes in Ghana and support the nation’s transition to trade and investment and strengthen political cooperation.

The Danish Ambassador to Ghana, Margit Thomson, said that the Danish companies can provide many of the solutions that Ghana needs in areas, such as climate change, water, agriculture, health and infrastructure.

The new policy, which is expected to boost Denmark’s presence in the areas of trade and investment in Ghana, highlights synergies between the Danish support to regional integration and sustainable economic growth in Africa, in general, and Danish development cooperation in the country, in particular.  

**Trade and Investment Ties**

EU and African leaders have pledged to deepen trade and investment ties between their two continents, with both sides calling for a “fundamental shift” in cooperation. German Chancellor, Angela Merkel, said that increasing cooperation in trade, investment, and empowerment would be a key for ensuring that African problems can be solved by Africans themselves.

The leaders have adopted a roadmap to frame both continents’ cooperation over the next three years, though the Joint Africa-EU strategy adopted in 2007 being the political reference document for their relations.

Moreover, the roadmap identifies five clusters of priority actions: peace and security; democracy, governance and human rights; human development; sustainable and inclusive development; and integration and global emerging issues.  

**Balance of Trade**

Tanzania has overtaken other EAC countries in recording a positive balance of trade in the previous year. Provisional data for 2013, shows that the value of Tanzania’s exports was $1,120.1mn, which shows an increase of 82 percent from $613.30mn in 2012 and $409mn in 2011, the EAC Ministry in Tanzania indicated.

The local traders continue to take advantage of opportunities available, under EAC integration. The Confederation of Tanzania Industries (CTI) said that recently its members had increased exports to the EAC and this was a boon to the economy as it drives growth.

The CTI Chairman, Samuel Nyantahe, said that increased foreign direct investments had also stimulated the growth of exports. The exported products were machines, fertilizers, electrical equipments, ship and boat equipments, cereals, oil products and their distillations and paper and textiles.  

**FTAs Impact on Beef Industry**

Trade between Zambia and Zimbabwe in the previous year grew to as much as US$5mn (approximately K27bn), due to increased cross-border trade between the two countries. Zimbabwean High Commissioner to Zambia, Lovemore Mazemo, said that trade between the two countries had continued to grow over the years. Mazemo said that the growth in trade was as a result of strong bilateral ties existing between the two countries. He said the other factor that had contributed to the growth was increased formal and informal cross-border trading among the two countries’ Small and Medium Enterprises (SMEs). “Trade between Zambia and Zimbabwe has continued to grow year to year, this can be attributed to the increased trade at all levels like the informal and formal sectors”, he said.
ECOWAS to Support Peace

The President of Ghana and ECOWAS Chairman, John Dramani Mahama, has discussed the security situation in Mali with the Malian President in Malabo, Equatorial Guinea. President Mahama has assured the people of Mali that ECOWAS will continue to monitor the security situation in the country to ensure that the progress is not reversed.

The ECOWAS Chairman has expressed appreciation to all those involved in bringing peace to Mali. He also commended Algeria and Mauritania for their support in the peace process and acknowledged the increased cooperation from Cameroon and Chad to defeat the Boko Haram threat in North Eastern Nigeria.

“As registered ECOWAS Community Citizens, our people should be able to move freely in West Africa and enjoy all the opportunities opening up in our member states”, he said. (DG, 30.6.14)

Free Flow of Goods

The ECOWAS has charged the member states to allow free flow of goods and services across their borders, in a forum that was held in Accra, under the aegis of United States Agency for International Development (USAID). The ECOWAS Commissioner for Agriculture, Environment and Water, Lapadini Marc Atouga, expressed concern over the lack of free flow of goods and services among member states within the sub-region.

He also mentioned that the states not only need to produce enough, but need to address the problem of the market in the sub-region, to ensure that there is free movement of goods to member states. Moreover, there were too many constraints on the borders of member states, which usually restricted the free flow of goods and services. The only way to encourage farmers to produce more is to assure them of availability of markets. (DG, 24.04.14)

Creating Trade Volumes

Observers said that trade within the EAC has improved tremendously as the regional integration within the bloc has spurred the movement of goods and services across the borders.

Isaac Shinyekwa, a trade and integration research fellow at the Economic Policy Research Centre (EPRC), said that trade in the region had shot up. In a recent study, Shinyekwa found that trade between Uganda, Kenya, Tanzania, Burundi, and Rwanda, had more than doubled from $1.8bn in 2005 to $4.9bn in 2011.

“Kenya overall contributed to an average share of over 40 percent of total intra-EAC trade and enjoyed a trade surplus with its EAC partners during the period”, the study, titled Trade Creation and Diversion Effects of the East African Community Regional Trade Agreements, noted. Trade was majorly driven by a reduction in tariffs and non-tariff barriers (NTBs). (The Observer, 18.06.14)

Intra-regional Trade Plans

Intra-regional plans in the context of the Continental FTA (CFTA) are currently underway. According to sources, Tripartite FTA negotiations are well advanced and could conclude before the end of year 2014.

Issues, under negotiations include rules of origin, tariff reduction schedules, removal and elimination of NTBs, customs and transit procedures and trade facilitation among others. Observers indicate that the issue of harmonisation of rules of origins has been particularly problematic.

African leaders agree that regional integration would help develop larger markets, foster greater competition and improve policy stance in many areas of the development agenda. The proposed CFTA would be a key component of the AU’s strategy to boost trade within the region by at least 25-30 percent in the next decade. (www.ictd.org, 15.06.14)
Lack of Quality Health Care
The determination of the Ghana Health Service (GHS) in the Kwahu North district in the Afram Plains to bring quality health care to the doorsteps of the people is being hampered by the lack of equipment and other logistics.

About 70 percent of the population in the district is located in hard-to-reach areas, such as the Dwarf and Didza islands. They cannot access health care because the only two 32-footer fibre glass boats used for outreach programmes by the district Health Directorate are not in good condition.

Moreover, in the absence of these boats, health officials are unable to visit those areas to administer critical healthcare services, such as childhood immunisation, home-based care programmes, etc.

(DG, 23.04.14)

Hike in Utility Tariffs
The Public Utilities Regulatory Commission (PURC) has announced an increase in electricity and water tariffs for the third quarter, using the automatic adjustment formula. The adjustment, which has taken effect from July 01, 2014, will result in a 6.1 percent increase in water tariffs and 12 percent rise in electricity tariffs.

The PURC at present adjusts utility tariffs quarterly following the implementation of the automatic tariff adjustment formula, which is a tariff mechanism that tracks and incorporates movements in key determining uncontrollable factors to reflect the cost of electricity and water every three months.

In adjusting utility tariffs, the Commission will consider Cedi-US dollar exchange rate, inflation, price of crude oil and natural gas, chemical cost, electricity cost, power purchase cost, demand forecast variations, energy generation mix and fuel mix as the key variables.

(DG, 01.07.14)

Calling Rates to Fall
The cost of calling across the region is set to significantly drop after Kenya, Uganda, Rwanda and South Sudan agreed to revise their tax regimes. The Communications Cabinet Secretary, Fred Matiang’i, noted that the move is expected to boost business across the region.

The decision is in line with ongoing efforts to promote integration among the four countries, under the northern corridor infrastructure summit commonly referred to as the Coalition of the willing. It follows an order from the Heads of State from the quartet to Information Communication Technology Ministers to come up with ways of addressing the high rates of calling within the region.

“Is committed to bring down the cost of doing business across the region. The Ministerial technical teams have identified various measures that will lead to lower calling rate”, said Matiang’i.

(DN, 16.04.14)

Reducing Digital Devide
Thuraya Telecommunications, a leading Mobile Satellite Services (MSS) operator has entered into an agreement with Bharti Airtel International to provide its customers with mobile satellite products and services across 17 countries in Africa.

The partnership will provide Airtel Africa customers voice and broadband connectivity via Thuraya’s satellite network across the continent’s most remote areas.

From May onwards, Airtel Africa will sell Thuraya’s products and airtime packages at their retail outlets and through their Enterprise account team.

Thuraya’s Chief Executive Officer, Samer Halawi said, “Thuraya’s partnership with Airtel Africa is a very positive development in bridging the digital divide in Africa. Halawi said that the company’s robust satellite network would enable Airtel Africa to provide its consumer and enterprise users with reliable, high quality voice and broadband services.

(TezZ, 01.04.14)

TV Distributors Sued
The Consumer Federation of Kenya (Cofek) has sued two digital television distributors over the failure to relay free to air channels from three media houses. Cofek who filed the suit, under a certificate of urgency said that GOTV and Star Times have failed to broker consent with Kenya Television Network (KTN), NTV and Citizen TV to the detriment of consumers, who bought their decoders with the hope of receiving the same, under the digital platform.

The consumer body told the High Court Judge Mumbi Ngugi that the Supreme Court had temporarily upheld the decision of the Appellate Court, which required the two not to air the FTA channels without the consent of the media houses, but wants the court to compel them to air the channels.

(ToZ, 01.04.14)

PAZ Foresees Price Hike
The Poultry Association of Zambia (PAZ) said that the farmers may be compelled to raise the price of poultry products owing to the revised maize floor price from K65 to K70.

PAZ Executive Manager, Dominic Chanda, said that the revised floor price, in addition to other factors, such as the recently hiked electricity tariffs, volatile Kwacha and export of maize bran, an essential ingredient in stock feed, would affect the profitability and competitiveness of the sector.

The costs of production will increase and some of the farmers will be out-competed. But ultimately, farmers will have to increase the price of poultry products. He said that the projected increase in the prices was likely to lower the consumption of poultry products that would also affect the jobs in the sector.

(The Post Newspaper, 25.06.14)
Implementing the Project “Promoting Agriculture-Climate-Trade Linkages in the EAC (PACT EAC), the EAC Partner States deliberated on the theme “Climate, Food Trade: Linking East African Issues to the Global Context” during an International conference on June 19-20, 2014 in Geneva. The Project partners, along with the other key stakeholders from the region interacted with the experts across the globe and with the representatives of international organisations like World Trade Organisation (WTO), Food and Agricultural Organisation (FAO), International Trade Centre (ITC) and United Nations Environment Programme (UNEP).

CUTS International’s Secretary General, Pradeep S Mehta, elucidated “How to harness the potential of trade in resolving EAC’s food security problem in the face of climate change is a key issue”. He called upon the participants to “take this chance to brainstorm, deliberate, discuss and network” towards consolidating their efforts for addressing *inter alia* climate-induced food insecurity through trade.

“Food security is a key concern for the EAC countries, where the living and well-being of the populations largely depend on the availability of food stuffs. In the face of the worsening situation of climate change, and the changing international trade systems and policies, how to ensure a secured food supply is a greater challenge for us”, said Flavia Nabugere Munaaba, Ugandan Minister of State for Environment.

The conference was also attended by the Deputy Director-General of the World Trade Organisation (WTO), Yonov Frederick Agah, who observed that Paragraph 6 of the Doha Declaration (framing current negotiations at the WTO) stating that “acting for the protection of the environment and the promotion of sustainable development must be supportive”. Article 31 of the same declaration also recognises the mutual supportiveness of trade and environment.

The PACT EAC Project is being implemented since last three years and aims to increase and communicate the knowledge on climate change-food security-trade linkages, and to enhance the capacity of policy-makers and other stakeholders from the region to design holistic policies to deal with climate change and food security challenges.

The studies of five project countries was released under the title “Climate, Food Trade: Where is the Policy Nexus”? This was complimented by the release of a new regional study titled “The Political Dimension of Trade Reforms: Impact on Food Security in the East African Community”, which was officially launched at the Geneva International Conference. Protase Echessah of Swedish International Development Cooperation Agency (SIDA) stressed that “although the subject has been extensively researched, it remains complex and more action is needed for better understanding of the linkages and consequences”.

The discussions in the Conference revolved around many key topics, including “Why do climate change, food security and trade linkages matter in Africa?”; “WTO: What policy options for the Post-Bali Food Security Agenda?”; “Role of trade policies in the EAC in ensuring food security”; “Trade and environmental sustainability”; “Climate early warning systems for food security”; “Mainstreaming environmental issues into trade policy and negotiations”; and “EAC positions and priorities in the implementation of the Bali Package and post-Bali Doha work programme” among others.

The discussion concluded focussing on the report on evaluation of PACT EAC. The participants agreed to the findings confirming the relevance, efficiency, effectiveness and impact of the Project. They emphasised on the enduring and emerging needs of EAC stakeholders and gave strong recommendations on the need to continue the initiative on agriculture, climate and trade linkages.
We put a lot of time and effort in taking out this newsletter and it would mean a lot to us if we could know how far this effort is paying off in terms of utility to the readers. Please take a few seconds and suggest ways for improvement on:

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