

**SUSTAINABILITY IMPACT ASSESSMENT
(SIA) OF THE EU-ACP ECONOMIC
PARTNERSHIP AGREEMENTS**

**West Africa:
Agro-industry**

2. West Africa: Agro-industry

2.1 Introduction

This sector study assesses the potential economic, social and environmental impacts of an EPA on the agro-industry sector in West Africa (ECOWAS and Mauritania). It begins by identifying priority trade measures and sustainability variables to be considered. It then explores the sustainability impacts of a ‘baseline scenario’, which reflects the current status of regional integration and liberalisation between the EU and West Africa. It considers the sustainability impacts of a full liberalisation scenario from both the EU and West Africa. Then, it examines the sustainability impacts of an EPA scenario that contemplates robust regional integration in conjunction with asymmetric tariff reductions, which fully open the EU market but leave some protections in place in West Africa. Finally it makes policy recommendations to promote positive impacts and mitigate any negative impacts.

Negotiations for an EPA between West Africa and the EU were launched in Cotonou on 6 October 2003. In August 2004 a revised *Road Map* for negotiations was agreed which cited overriding objectives for the first year of negotiations (September 2004-September 2005) of improving regional integration and competitiveness of the West African economies. Between 2005 and 2007 the Parties will define the framework for the EPA, present first proposals and complete the negotiations.

The choice of agro-industry for this sector study stems from the fact that agriculture generates 30% to 40% of GDP and employs between 60% and 70% of the working population in the region. Because most of the poor are located in rural areas, agriculture plays a key role in poverty alleviation. Agricultural commodities are the second largest exports from West Africa to the EU (behind petroleum oils, gases and other hydrocarbons) yet most are exported with little value added locally. West African countries are missing an opportunity to produce higher value products, provide employment in agro-industry, and enhance incomes both for farmers and workers. While an EPA could present opportunities to develop agro-industry and exports, liberalisation raises concerns about competition with local products and adapting existing production in West Africa to meet EU requirements.

Four product areas are used to illustrate potential impacts of an EPA on sustainability in this sector (Table 3). These were chosen based on their importance for sustainability and their potential to reflect different aspects of trade within West Africa and between the EU and West Africa. They reflect a range of challenges and opportunities for West Africa that are also relevant for agro-processing industries in other ACP regions.

Table 3. Sub-sectors and products in the Agro-Industry sector study

Sub-Sector	Specific Commodities/Products
Fruits and Vegetables	<p>Fruits and vegetables include a wide range of products. This study focuses on:</p> <ul style="list-style-type: none"> • Tropical fruits and vegetables for export markets. This includes mangoes, pineapples and green beans. These products are most likely to be impacted by SPS requirements and NTBs as well as trade facilitation and investment, and better market access to the EU for some products (fresh or processed) for non-LDCs. • Vegetables produced for the regional market. This includes potatoes, onions and tomatoes. These products are most likely to be impacted by competitiveness concerns, investment, and market access into West African countries.
Cereals	<p>This sub-sector includes wheat and wheat products imported from the EU and local cereals produced in West Africa. These products are most likely to be impacted by competitiveness concerns and complementarities between local and imported products to supply growing urban demand. Market access is important as removing tariff protection in West Africa could increase competition between EU wheat products and local cereals and involve substitution at the consumer level.</p>
Meat	<p>This sub-sector includes beef and poultry. These are both important for their trade flows and possible effects of substitution at the consumer level. These products are most likely to be impacted by market access issues and the risk of increased competition between local and products from the EU (particularly frozen products). Investment in infrastructure is also important to encourage rudimentary processing facilities (e.g., slaughterhouses, refrigerated warehouses and transportation) to improve competitiveness.</p>
Cotton	<p>This includes cotton yarn and unbleached fabrics (not clothes), representing the first level of transformation of cotton fibres for export to the EU and for the regional textile industry. The main concern is to add value to cotton fibre and encourage the competitive production of semi-finished textile products.</p>

2.2 Consultation

The consultation process for this study involved attending relevant meetings to make presentations and exchange information, meeting with experts in the governments and civil society, and dialogue in an electronic discussion. Details of major meetings organised and/or attended by members of the team and a list of individuals interviewed as part of the research and consultation for this study are detailed in Annex 2.⁷ Box 1 contains a summary of the results of the consultations. The electronic discussion group was organised in February-March 2005 and included local experts and civil society representatives from the region as well as experts in Europe.

⁷ There are remaining opportunities that had not yet taken place at time of writing, where the team will present the results of the SIA and obtain any final feedback. These include a meeting of ECOWAS ambassadors in Brussels (date to be announced) and a 3-day regional seminar in Ouagadougou (organised by the Rural Platform for Rural Development and the WAEMU Commission, 20 - 22 June 2005).

Box 1. Summary of Consultations for West Africa

- There was an apparent lack of knowledge about the process.
- There was concern about the potential of import surges and the necessity for capacity building to create opportunities.
- Discussion on the impact of CAP reform on agricultural trade EU-ACP, and the needs to address supply-side constraints in order to better benefit from the opportunities of EPA.
- Confirm the interest in WA of yarn & unbleached fabric for export. Main issues are partnership with EU companies (or EUROMED) and rules of origin, which make access to EU markets difficult. AGOA is easier but it is still hard to comply with US market requirements.
- Lack of information for civil society, fear of impacts and further liberalisation for representatives of regional organisations. Some people proposed increasing the level of the CET.
- One question raised was whether an EPA would be useful in improving the situation on cotton.
- Yarn and unbleached fabrics for exports makes sense provided there is a national and regional market which is not the case for the moment (illegal imports and worn clothing).
- Discussion on poultry and the impact of import surge on economic and social variables. Questioned whether EPAs would make the situation worse.
- Discussion with representatives of farmers from West Africa on the EPA. There was an apparent lack of knowledge about the negotiations and fear of further liberalisation.
- Discussion of how to assess impacts of liberalisation and the need to articulate regional integration, building and implementation of agricultural policies, and trade issues.
- No difficulty for West African exporters of fresh fruits or vegetables meeting EU SPS requirements, given their long history of exporting to the EU.
- Women are producers and also important traders, at all levels of trade, formal and informal.
- The EPAs need to be further publicised and explained to all stakeholders in Senegal where there is a fear of the consequences of an unequal agreement whereby countries in the region, would be the losers.
- Another framework to consider for regional integration would be WAEMU + Ghana and Guinea, with Nigeria treated as a separate entity.
- Modernising and restructuring existing export companies are necessary but there will be a price to pay by the EU.
- The main obstacle to exports is the lack of cooling capacities and air freight both regionally and internationally.
- Senegal has experienced the impact of trade liberalisation through a vibrant and efficient informal sector which contributes to the loss of revenue of the state. If imports of tools and equipment were liberalised the impact would still be positive despite the temporary loss of revenue for the state.
- Capacity building is necessary to allow the present productive sector to improve its skills and be opened to any possible improvement of competitiveness.

2.3 Relevant Trade Measures

The most relevant trade measures for this sector study are market access (for non-LDCs from West Africa, and for the EU), trade facilitation, foreign direct investment (FDI), and SPS and TBT measures.

2.3.1 Market Access

West Africa. WAEMU countries apply a four-level CET on imports, including those from the EU. In non-WAEMU countries, tariffs differ among countries and products. Current tariffs for selected products relevant for this study are indicated in Table 4. It

highlights the differences between the WAEMU CET and the current tariffs for ECOWAS countries that are not members of WAEMU. Since the beginning of 2005, the WAEMU CET has been extended to the full ECOWAS region, and it is already taking into account in the 2005 *loi de Finances* in Guinea and Nigeria. The implementation of the WAEMU CET will involve a substantial reduction in tariffs for potatoes, wheat flour, and poultry in Ghana, and meat and fruits and vegetables in Nigeria. On the other hand, it will imply an increase in tariffs for Guinea and Gambia.

Table 4. Tariffs for Selected Products applied in the ECOWAS area

Product	WAEMU CET (%)	Cape Verde	Gambia	Ghana	Guinea	Mauritania	Nigeria
Fruits and Vegetables							
Potatoes	20	35.45	18	39.29	17	5	100
Tomatoes (fresh or chilled)	20	10	18	20	17	10	100
Onions (fresh or chilled)	20	25.69	18	20	17	10	100
Tomato concentrate not for retail sale	10	10		20	17	13	
Prepared tomatoes	20	10	10-18	20	17	13	
Cereals							
Cereals (unspecified)					17 - 24		
Wheat or meslin	5	5	18	20	7		5
Prepared cereals					17-32		
Wheat or meslin flour	20	15	18	40		5	Import prohibition
Pasta	20	37.92	18	20		20	100
Bread, cakes, biscuits	20	42.12	18	40		20	100
Meat							
Meat (unspecified)					2 - 17		
Meat / bovine animal	20	50	18	20		20	Import prohibition
Meat / poultry	20	50	18	39.31		20	Import prohibition
Cotton Fibre							
Cotton Yarn	10	15		10		13	
Worn Clothing	20	10		40		20	

Source: WAEMU website. The Gambia: WTO, *Trade Policy Review, 2004*; Guinea: WTO, *Trade Policy Review, 1999*; Nigeria: WTO, *Trade Policy Review, 2005*; Cape Verde, Ghana and Mauritania: *The Impact of ACP/EU Economic Partnership Agreements on ECOWAS Countries: An Empirical Analysis of the Trade and Budget Effects*, Busse et al., 2004

Non-Tariff Barriers (NTBs). In order to protect domestic production, some countries in West Africa have established specific market access measures (bans, reference prices, added tariffs, seasonal quotas).⁸ Specific NTBs relevant for this sector study are presented in Table 5.⁹

Table 5. NTBs Imposed by West African Countries Relevant for this Study

Sub-Sector	Market Access Measure
Fruits and Vegetables	<p>Burkina Faso: A national conformity certificate is required for tomato concentrate in order to protect domestic production.</p> <p>Guinea: Imports of potatoes from the EU can be prohibited between February and June to protect domestic production. This measure allowed Guinean producers to raise the competitiveness of their potatoes and they are able to compete with imports, which have been decreasing steadily since 1997. The prohibition has not been applied since 1998.¹⁰</p> <p>Mauritania: Seasonal duties are applied to onions and tomatoes. The highest rate is applied during the period when the domestic production is marketed.</p> <p>Senegal: Senegalese tomato concentrate production is protected by the fact that it is the only one sold in the domestic market under a mandatory national standard. Senegal applies a so-called temporary surcharge of 20% on imports of onions and potatoes. Despite its name, there is no indication when and under what conditions the surcharge might be removed.</p>
Cereals	<p>Burkina Faso: a national conformity certificate is required for wheat or meslin flour, biscuits, and pasta to protect domestic production. Furthermore, a price reference is applied for wheat flour (CFAF 225/kg = EUR 0.34/kg).</p> <p>Mali: a price reference is applied for wheat and wheat products (wheat flour: CFAF 232/kg = EUR 0.35/kg; pasta: CFAF 390/kg = EUR 0.59/kg; biscuits: CFAF 980/kg = EUR 1.49/kg).</p> <p>Nigeria: Imports of sorghum, millet and wheat flour, pasta and biscuits have been prohibited since the end of 2002.¹¹</p> <p>Senegal: A temporary surcharge of 10% is applied on imports of millet and sorghum, and imports of wheat flour are subject to the application of a 10% <i>Taxe conjoncturelle d'importation</i> (TCI), as allowed for in WAEMU trade policy.</p>
Meat	<p>Benin: A ban on chicken imports has been in place since March 2004.</p> <p>Burkina Faso: A ban on chicken imports has been in place since end of 2002.¹²</p> <p>Mali: Applies a ban on beef and has set up an authorization system for other meats.</p> <p>Nigeria: A ban on imports of frozen poultry has been in place since the end of 2002.¹³</p> <p>Senegal: Has used entry prices since 2002.¹⁴</p>

⁸ The importance of informal trade between some countries (for example, Benin and Niger to Nigeria, Guinea to Sierra Leone and Liberia, Gambia to Senegal) affects the real impact of these measures. WTO. Trade Policy Reviews of Niger (2003), Nigeria (1998), Gambia (2004), Guinea (1999); *L'Echo des frontières*, several issues, LARES; Some countries apply taxes on imported products, exempting local/regional products. This is the case, for example, in Gambia (10% sales tax) and Ghana (12.5% VAT on raw foodstuffs imported from non-ECOWAS countries). WTO. Trade Policy Reviews of Ghana (2001) and Gambia (2004).

⁹ Unless otherwise indicated, information on Burkina Faso, Guinea, Mauritania, Senegal, and Mali are taken from WTO Trade Policy Reviews conducted in the following years: Burkina Faso (2004), Guinea (1999), Mauritania (2002), Senegal (2003) and Mali (2004).

¹⁰ Diallo A. B., 2003. *Etude de capitalisation de la filière pomme de terre en Guinée*.

¹¹ *L'Echo des frontières*, n° 24, oct/dec 2002, LARES and n°26, avril/juin 2003.

¹² Hermelin, 2003.

¹³ *L'Echo des frontières*, n° 24, oct-dec 2002, LARES.

¹⁴ FAO, 2004.

European Union. All countries in West Africa (with the exception of Ivory Coast, Ghana and Nigeria) are LDCs, and benefit from the “Everything but Arms” (EBA) initiative, which gives them free access to the EU market with respect to the products in this study. For non-LDCs, relevant market access measures in the EU depend on the specific product. No tariffs are applied to fresh fruits and vegetables. Tariffs are applied to mango products which are slightly processed (mango juice and preserved mangos) and to meat products. Tariffs relevant for this study are indicated in Table 6.

Table 6. Selected EU Tariffs Applied to West African Products from non-LDCs

Fruits and Vegetables	
Mangoes or pineapples, fresh or dried	0
Pineapple juice	0
Mango preserved by sugar (HS 20060035)	EUR 15 per 100 kg
Mango juice (HS 20098033 and HS 20098084)	EUR 12.9 per 100 kg.
Potatoes	0
Green beans	0
Meat	
Beef and veal	0% + EUR 176.8 per 100 kg
Poultry	From between EUR 6.5 per 100 kg to EUR 11.3 per 100 kg (preferential quota), according to kind of poultry meat (fresh, frozen, cut or whole).

There are other policies in the EU that can impact the competitiveness of West African products entering the EU market, including those identified in Table 7. The last reform of the EU’s Common Agricultural Policy (CAP), adopted in July 2003, is likely to have few impacts on the EU’s trading relationship with West African countries. Under the Uruguay Round’s Agreement on Agriculture (URAA), domestic support will become less trade-distorting and export subsidies will be phased out.

Table 7. EU agricultural policy measures that affect competitiveness of West Africa markets¹⁵

Sub-Sector	EU Agricultural Policy
Fruits and Vegetables	Under an EU threshold expressed in terms of quantity of fresh tomatoes, direct aid of EUR 34.50 per tonne of tomatoes is provided to producer organisations in the EU delivering tomatoes for the production of tomato concentrate. This aid is refunded by the organisation to individual producers. ¹⁶ Moreover, export refunds may be provided “to permit the export of economically significant quantities of products”.
Cereals	Wheat production is subsidised in the EU. Export subsidies had not been applied for a long time, but were reintroduced in early 2005 (due to the appreciation of the euro <i>versus</i> the \$US)
Meat	Beef and veal: Export refunds range from EUR 33.5 per 100 kg to EUR 97 per 100 kg for all ECOWAS countries. Beef production is subsidised in the EU. Poultry: No direct subsidy or market intervention for poultry production. Export subsidies have dropped since the implementation of the URAA.

¹⁵ <http://europa.eu.int/scadplus/leg/en/lvb/l11064.htm>.

¹⁶ Commission Regulation (EC) No 1535/2003 of 29 August 2003: rules for applying CR (EC) No 2201/96.

2.3.2 Trade Facilitation

The *Cotonou Agreement* has not defined a specific process to promote trade facilitation *per se*. However, EPAs aim to remove “progressively all barriers to trade between (the Parties) and enhance co-operation in all areas relevant to trade”.¹⁷ Problems in West Africa include excessive documentation, insignificant use of information technology, lack of transparency and procedures, and lack of modernized institutions related to customs clearance. Customs officials in West Africa have limited resources and expertise. Ports and airports are favoured as points of debarkation and embarkation while road border crossings are not prioritised, even though road transportation is the main mode of transport in intra- and inter-regional trade.

According to the World Bank, the average days required for customs clearance for sea cargo in Africa is 10.1 days compared to 2.1 days in OECD countries; and reducing the customs clearance time by one day can equal a reduction in tariff of 0.5%. The losses suffered by business through delays at the border, complicated and unnecessary documentation and lack of automation are estimated to exceed, in many cases, the costs of tariffs. Nigerian authorities estimate that illegal levies increase the cost of imports by up to 45%.¹⁸ Even in WAEMU, where free trade has existed since 1 January 2000 obstacles to intra-regional trade remain.¹⁹

Moreover, all West African countries suffer from very high transportation costs, and those in the land-locked countries are particularly onerous. This not only raises the price of goods for consumers in the region, but it also undermines the competitiveness of prospective exports from West Africa to the EU (and elsewhere). In 1997, average freight costs were approximately 4% of the c.i.f. import values of developed countries and 7.2% of c.i.f. import values of developing countries. For West Africa, the average was about 12.9% but in the land-locked countries in West Africa it was even higher. For example, Mali’s freight costs were 29.6%.²⁰

According to the WTO, countries which have taken concrete steps to harmonize their transport policies and adopt common technical standards and legal principles have experienced a significant overall reduction in transport costs.²¹ However, transit transport cooperation takes time and considerable effort to construct. The complexity

¹⁷ Art.36 (1) Cotonou Agreement.

¹⁸ ITC, 2004. *Nigeria: an overview of the business challenges of the evolving international trading system*.

¹⁹ WTO, 2004. *Trade Policy Review of Mali*; Hermelin B., 2003.

²⁰ WTO, 2000.

²¹ WTO, 2000.

and plurilateral nature of transit transport requires an appropriate intergovernmental machinery to monitor and review progress in the implementation of international agreements and programmes. Moreover, maintaining and improving common programmes and arrangements requires considerable financial resources and technical capacity as well as political commitment on the part of governments.

2.3.4 Foreign Direct Investment

The Cotonou framework refers to investment, which is vital for the development of agro-industry since such activities require high levels of technical capacity, links to markets and knowledge of market requirements. The EU is the major sources of inflows of FDI into West African ACP countries, although levels are still extremely low compared to other parts of the world. Challenges relate to a difficult business climate, lack of supporting services and lack of effective regional integration. Increased investment in transportation and other infrastructure could help countries diversify and to integrate their production vertically to encourage agro-industry. Any expansion in processing may have the effect of increasing the well-being of the people employed in the sector, providing higher wage jobs, and producing a higher-value product for exports. The quality of this work will depend in part on the protections that the workers have access to in terms of health and safety protection and other benefits. The environmental impacts of increased agro-processing will be associated with related industrial pollution from plants, including emissions, discharges and waste. It will also depend on the levels of technology employed and levels of capital investment in clean processing equipment.

2.3.5 SPS and TBT Measures

SPS measures are important to allow countries to put in place protections related to food safety, and protection of human, animal or plant life or health. At present the EU employs a large number of SPS and food safety standards while West African countries employ few. Despite the fact that SPS measures are legitimately applied, they can pose an obstacle to West African products entering the EU.²²

²² Recent strengthening of EU food safety requirements increases pressure on the food chain, and has led to a proliferation of sector-oriented Codes of Practice imposed on local suppliers by importers and retailers. For example, due to the BSE crisis, SPS requirements for meat have been strengthened in the EU imposing special requirements for slaughter and traceability.

There are no harmonised SPS regulations at the regional level in West Africa although this has been an objective for ECOWAS and WAEMU for several years. For veterinary medicine, a process of regional accreditation is on-going and three laboratories have been identified and a regional institution established.²³ This initiative could provide lessons and encourage development of a regional approach to SPS.

There are also fixed costs are often associated with ensuring compliance with EU food safety standards and SPS regulations. Even where products comply with EU standards West African exporters can face problems in securing proper verification of compliance and certification as a result of shortcomings in public institutions. Moreover, ECOWAS exporters face difficulties meeting some EU labelling requirements.

2.4 Sustainability Variables

The following variables have been identified as most important for economic, social and environmental sustainability for this sector study.

2.4.1 Economic Sustainability

Agriculture is a vital economic sector for West Africa. This makes West African economies particularly fragile and vulnerable to external factors. Increasing local value-added, creating a regional market base, and improving EU market access for West African agro-industrial products are major challenges. Key variables include:

- *Economic performance*
- *Government revenue*
- *Investment*

2.4.2 Social Sustainability

In West Africa 60% to 70% of the working population is employed in agriculture. A large part of agricultural production is small family-operated farms.²⁴ The limited size of the farm units prevents them from benefiting from economies of scale. On the other hand, small family farms, as opposed to specialized production, are well-adapted to cope with uncertainties and well-designed to resist external shocks. In each

²³ Hermelin, B. 2003.

West African country, some large-scale agro-industries exist, but most of the processing of agricultural products is done by medium or small-scale units (bakeries, traditional beverages, workshops) and most is informal.²⁵ Informal operations do not appear in official statistics, but they are a very important source of employment. For example, 76% of workers in WAEMU capitals work in the informal sector (all activities).²⁶ Therefore any economic changes brought about by an EPA could have important social impacts. At present, jobs associated with agriculture and agro-processing are low-paid, require few qualifications and little training. Many of the jobs are held by women.

West Africa is the poorest region in the ACP – over 47% of the total population lives below the national poverty line and 43.4% live on less than one dollar per day, with 70.8% living on less than two dollars per day. However, in the countries located along the Gulf of Guinea 35% of the population lives under the national poverty line (40.4% and 71.6% living on less than 1\$ and 2\$ per day, respectively). Along the Atlantic coast 55% of the population lives under the national poverty line (29% and 54% living on less than 1\$ and 2\$ per day, respectively). In Africa, the land-locked countries in the north have the highest indicators of poverty. In West Africa, poor populations are concentrated in rural Sahel areas. In the land-locked countries of West Africa 57.5% of the population live in poverty. Of these, 65% and 87% live on less than 1\$ and 2\$ per day, respectively. Moreover, inequalities are very important in West Africa where the fifth poorest percent of the population receives 5.2% of income, and the fifth richest 50.6% of income.²⁷

Based on the UN's Gender-related Development Index (GDI), the average GDI for Western Africa is 0.43, compared with 0.9 in OECD and EU countries. Most of the countries in the region are at the very bottom of the GDI rankings (ranging from 104th place for Ghana to 144th place for Niger) but in general the land-locked countries of the Sahel have the lowest average GDI ranking of 0.36. Despite the fact that women participate in agricultural production and trade, their access to land is not guaranteed. Land-access-rights are defined through family links, and men are responsible of the share of land within the family. Typically women are allowed to access or to own land (except in Northern Nigeria). Where women have the financial resources they can buy

²⁴ Soulé B.G., 2004. *Le rôle de l'agriculture dans la compétitivité de l'Afrique de l'Ouest*, in *L'Afrique de l'Ouest dans la compétition mondiale*, Karthala-CSAO.

²⁵ WTO, 2003 and 2004. Trade Policy Reviews of Burkina Faso, Mali, Mauritania, Niger, Senegal.

²⁶ WAEMU, 2004. *L'emploi, le chômage et les conditions d'activité dans les principales agglomérations des sept Etats membres de l'UEMOA*.

or rent land but poverty is the main obstacle to access to land.²⁸ From a social perspective, key variables include:

- *Employment and labour*
- *Poverty*
- *Gender equity*
- *Food security*

2.4.3 Environmental Sustainability

West African countries are located in dry and sub-tropical areas. Within these areas, several types of ecosystems exist: grassland, savannah, scrubland, woodlands and forests. Dry and sub-tropical lands are also centres of origin of many major crops and important centres for agricultural biodiversity. These resources are fragile and any additional pressure on land will contribute to desertification and erosion. In the context of this sector study special attention will be paid to the following themes:

- *Land use*
- *Use of inputs*

2.5 Methodological Issues and Impact Analysis

2.5.1 Definition of scenarios

Three scenarios are considered in this sector study: a baseline scenario, a “full liberalisation” scenario, and an “EPA scenario”. The baseline scenario takes into account impacts on sustainability of the present situation. It is based on the assumption that existing trends will continue in the absence of an EPA. The full liberalisation scenario contemplates a removal of all tariff barriers to West African trade with the EU. This will help define sectors which will be most affected by liberalisation. As such, full liberalisation is not considered a realistic scenario but is employed here to help define the optimal EPA scenario.

The EPA scenario is based on the following assumptions:

²⁷ World Bank. 2004. Regional Poverty Reduction Strategy Paper for West Africa, draft. August.

²⁸ Bortei-Doku Aryeetey E., 2000. “Accès des femmes aux ressources foncières au Ghana: au-delà des norms” in *Gérer le foncier rural en Afrique de l’Ouest*, Karthala – Ured.

- In-depth of regional integration, by the implementation of a free-trade area within the ECOWAS (adoption and implementation of a Common external tariff: free trade within the region);
- Asymmetric trade liberalisation between the EU and the ECOWAS: 100% of liberalisation for the EU side and 80% for ECOWAS countries. This does not imply that all tariffs, bound at the WAEMU CET level will decrease by 80%, but that 80% of trade flows will be fully liberalised, and 20% will be excluded from liberalisation.

The following table shows that all the subsectors of this study may be excluded from liberalisation, because the sum up of all of them is under the threshold of 20% trade flows.

Table 8: Trade flows for selected products

Trade flows in euros (COMEXT, 2003)	
Total flows from the EU to ECOWAS	12,132,032,610
Share excluded from liberalisation (20%)	2,426,406,520
Import of beef meat (HS 0201 and HS 0202)	6,027,300
Import of poultry meat (HS 0207)	90,467,830
Import of potatoes (HS 0701)	16,309,950
Import of onions (HS 0703)	24,093,120
Import of wheat (HS 1001)	145,145,480
Import of wheat flour (HS 1101)	53,519,090
Import of tomatoes prepared (HS 2002)	13,078,310
Import of worn clothing (HS 6309)	103,884,090
Sum of those imports	577,525,130

2.5.2 Methodological tools

The economic impacts of a full liberalisation scenario was analysed in part using an **econometric analysis** that falls short of formal modelling but provides quantifiable results using available data. Empirical work was based on data from 13 countries.²⁹ The products examined were: wheat, onions, potatoes, beef and poultry.³⁰ Unfortunately, due to the lack of data, it was not possible to include wheat flour, pasta or prepared tomatoes in the scope of the analysis. Neither does the analysis cover products exported from ECOWAS to the EU. The analysis demonstrates the role of prices (depending on

²⁹ This included Benin, Burkina Faso, Cape Verde, Ivory Coast, Gambia, Ghana, Guinea, Guinea Bissau, Mali, Niger, Nigeria, Senegal, and Togo. Sierra Leone and Liberia were not included in the scope of the analysis because of political instability and insurmountable constraints related to data. Other recent impact studies (Busse *et al.*, 2004, UNECA, 2005) also excluded those two countries from their analysis.

³⁰ Initially tomato concentrate and wheat flour were included in the list of products to be studied but a lack of price data made it necessary to ultimately exclude them.

countries' membership in WAEMU) and measures elasticity of imports with regard to price, income, exchange rate, and taxes. Products were grouped according to their import elasticity, which makes it possible to assess the impact of a change in the trading relationship between the EU and West African countries. The analysis was conducted on 629 observations on wheat, onions, potatoes, beef and poultry, for 13 countries. Details of the econometric analysis are included in Annex 1.³¹

Overall, however, price variability seems to play a key role. Despite data challenges, results conform to expert opinion and are summarized as follows:

- a) For West African countries, permanent and temporary factors exist that affect levels of food imports from the EU.
- b) Importations of various products appear to be elastic and import prices play an important role in explaining the variation of import levels. Country GDP appears to be the most important factor explaining differences between the countries.
- c) Variations in exchange rates do not have a significant impact.
- d) Current import levels are linked to previous levels. The inertia effect does not appear to be very important so small price variations can generate large variations in import levels.

Econometric analysis was combined with further developed research on associated environmental and social hot-spots to assess sustainability impacts.

Desk research and interview supplemented this analysis. Team members conducted **specialised interviews** with knowledgeable individuals and attended relevant meetings both in Europe and in West Africa (Annex 2). Also taken into account were the results of the electronic discussion group conducted in early 2005. Among the most important causal links identified to help analyse the impact of trade on economic behaviour and then onto environmental and social sustainability were impacts on production, impacts on scale, impacts on infrastructure, technology and consumer behaviour (substitution effect).

³¹ Data sources included COMEXT database for trade flows between the EU and ECOWAS countries (in volume and in value); World Bank data for GDP and exchange rates; and data gathered for this SIA's Mid-term Report for applied tariffs. The main difficulty was finding local prices because there is no systematic gathering of market information at regional level and at the national level only Senegal collects this type of data. Therefore, various sources were used to shed light on this variable, including government (wherever possible), RESAL (European Food security network); NGOs (Afrique Verte), research centres (LARES in Benin, Ahmadu Bello University in Nigeria), local projects (support to onion and potato producers in Guinea), and regional or national studies on competitiveness of products (for onions, potatoes, and meat).

In order to assess the impact on sustainability of an EPA between the EU and the ECOWAS, three steps are followed:

- Analysis of impact of the baseline scenario on sustainable development;
- Analysis of impact of a full liberalisation scenario on sustainable development;
- In the light of previous steps, proposition of an EPA scenario (sectors to be liberalised and sector to be excluded), and analysis of potential sustainability impacts of this scenario.

2.6 Baseline Scenario

2.6.1 Regional Integration

In West Africa the main forces to promote regional co-operation and integration are the West African Economic and Monetary Union (WAEMU) and ECOWAS, although there are shortcomings associated with both.

WAEMU is the most developed process of integration in West Africa.³² All of the members of WAEMU also belong to ECOWAS. WAEMU benefits from a single common currency (Franc CFA, by contrast, there are eight currencies in ECOWAS). With the exception of Guinea Bissau, WAEMU countries share a common language (French). There is growing harmonization of the legal, statistical and fiscal framework.³³ There is also a common external tariff (CET) that has been operating since 1 January 2000 and a common trade policy towards non-members. Despite some advances, however, WAEMU lacks a critical economic mass and is geographically fragmented.³⁴

The aim of ECOWAS is to create an economic union in West Africa, to eliminate customs tariffs and non-tariff measures, create a common external tariff (CET), harmonize economic and financial policies, and create a single monetary zone. It also seeks to increase political co-operation through principles of supra-nationality and supranational institutions. ECOWAS includes a critical geographic and economic mass but its economic integration has been slow and it remains more a political union than an economic union. ECOWAS is developing some policies at the regional level. For example, in January 2005 it adopted a common agricultural policy called ECOWAP,

³² WAEMU entered into force in 1995 and includes Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal and Togo.

³³ A *Convergence, Stability and Growth Pact* has been adopted and several sectoral policies have been implemented on, *inter alia*, infrastructure, agriculture, health, energy, environment, and gender.

³⁴ This is made worse by the crisis in Ivory Coast, which as traditionally been its economic leader.

which aims to contribute, in a sustainable way, to respond to population food requirements, to economic and social development, to poverty reduction within member states, and to reduce inequalities between territories, areas and countries.

Participation of ECOWAS countries in world trade has been declining for the past 30 years and is currently negligible, despite the fact that Nigeria, the regional economic leader, has become a global power in the petroleum sector. At the same time intra-regional trade grew slightly (5%) although the low level of intra-regional trade reflects the weakness of the economic integration. There are efforts to encourage deeper integration in ECOWAS through a customs union. The liberalisation process is slated to be completed with the adoption by all ECOWAS members of the WAEMU CET to transform ECOWAS into a customs union by 2008. The objective of achieving a customs union within ECOWAS and, more generally, the process of regional integration in West Africa faces a number of challenges including, *inter alia*:

- ***A multiplicity of objectives.*** Objectives include trade integration and harmonisation across a range of sectors. However, priorities among members differ which makes it difficult to move towards common sectoral policies at the regional level.
- ***Lack of financial and technical resources.*** Regional institutions in ECOWAS lack the resources to effectively co-ordinate and implement decisions resulting in lengthy decision-making processes and slow harmonisation of tariff codes and classifications.
- ***Inadequate compensation mechanisms.*** Even with a customs union, intra-ECOWAS trade would be limited by clauses to protect weaker countries and reduce the cost of integration through financial compensation. However, experience shows that in some cases WAEMU contributions go unpaid, and a declining regional budget prevents WAEMU from compensating weaker countries for loss of revenues brought about by the CET and the regional free trade area. This leads some countries to re-implement tariffs for intra-regional trade.
- ***Weak political commitment.*** A weak political commitment is evident in an apparent resistance to effectively adopt and implement the WAEMU CET. Some countries consider the level of the WAEMU CET too low to protect local production from imports, particularly for agricultural and food products.
- ***The importance of informal trans-border trade.*** Levels of informal trade are not reflected in official data but have important significance and structure the *de facto* economy in West Africa.

For these reasons, market integration is proceeding very slowly under ECOWAS in terms of harmonisation of economic and other policies. Under the baseline scenario, with no external pressure to foster regional integration the process will probably continue to progress very slowly, with negative economic impacts for the region. The weak level of regional integration makes the region less attractive to investors. In terms

of purchasing power, national markets are too small to justify investment in industries where economies of scale are needed.

On the other hand, despite this slow progress, regional markets for food products are expanding, at least within WAEMU. Implementation of the WAEMU free trade area encouraged intra-regional trade within the WAEMU. Moreover, informal trade between neighboring countries of vegetables, cereals and meat is important and expanding. This trend in trade among WAEMU countries and increasing informal trade will likely be maintained under the baseline scenario.

2.6.2 Trade Flows

For all the products in this sector study trade with the EU has been increasing in the past years, although at varying rates. However, exports from West Africa to the EU tend to be unprocessed while the EU exports a range of processed and unprocessed products to West Africa. Notwithstanding an EPA, this trend is expected to continue.

2.6.2.1 Exports from West Africa to the EU.

In 2003, fruits and vegetables from West Africa represented 2.5% of total fruits and vegetables imported into the EU.³⁵ The majority of this was unprocessed suggesting low levels of value-added and an overall lack of competitiveness despite the advantages of geographical proximity to the EU. (Table 9)

Table 9. EU – ECOWAS Trade in Selected Fruits and Vegetables (2003)

	EU imports ('000 euros)			EU exports ('000 euros)		
	From the world	ECOWAS	Rest of the world	To the World	ECOWAS	Rest of the world
Edible vegetables, tubers and roots	2,677,058	41,134	2,635,924	1,765,759	51,842	1,713,917
Edible fruits	9,342,407	331,313	9,011,094	1,969,900	10,215	1,959,685
Processed fruits and vegetables	3,328,601	4,048	3,324,553	2,256,536	177,721	2,078,816

Pineapple and mangoes are the most important fruit exports to the EU from West Africa in this group of products (Table 10). Ivory Coast is the main exporter of both pineapples and mangoes and France is the main importer.³⁶ West Africa is also exporting a slowly growing number of green beans to the EU. There are no exports of cereals (processed or otherwise) or processed tomatoes to the EU.³⁷ Senegal exports

³⁵ COMEXT database.

³⁶ Mangoes from Burkina Faso or Mali are probably exported to the EU as originating from Ivory Coast (*rapport de capitalisation fruits et légumes – ateliers OMC* Mali, Nov 2000).

³⁷ In 2003 West Africa exported a total of 7,072.7 tons of green beans to the EU, with Senegal and Burkina Faso being the major exporters. Depending on the source (COLEACP, FAOSTAT database,

fresh tomatoes to the EU.³⁸ In 2001-2002 West Africa was the third largest exporter of cotton lint in the world with 12.7% of the global market. The share of imported cotton lint from ACP countries accounted for 33% of total imports of cotton lint into the EU of which 36% came from West Africa.³⁹ There is also a small niche market for “ethnic” textile production, and this is expanding slowly.

Table 10. ECOWAS exports of pineapple, mangoes and green beans to the EU (2003)

	Export in euros	Share of all fruits and vegetables exported
Pineapple	155,941,370	42 %
Mangoes	25,964,250	7 %
Green beans	14,519,700	4 %

Source: COMEXT database

2.6.2.2 Exports from the EU to West Africa.

The EU exports substantial quantities of fresh and processed fruits and vegetables to West Africa.⁴⁰ Typically products are of a low quality that cannot be sold in Europe or for which there is no market in the EU (such as certain poultry pieces and cuts of meat).⁴¹ The most important processed product exported to West Africa from the EU is prepared tomatoes.⁴²

Table 11. ECOWAS imports of potatoes, onions and processed tomatoes from the EU (2003)

	Import in euros	Share of all fresh vegetables imports (onions and potatoes) or share of all processed fruits and vegetables imports (tomatoes)
Potatoes	16,309,950	31 %
Onions	24,037,540	46 %
Tomatoes prepared	138,050,380	78 %

Source: COMEXT database

Poultry products are exported by the EU into a number of West African countries. They are most important for Benin where this commodity represented 11.9% of total imports from the EU in 2002. However, recent massive imports of frozen

ECOWAS), the top five countries producing green beans vary. Some databases include Niger and some include Ghana. This is a good illustration of the difficulty in obtaining reliable data in the region. Despite the fact that EU consumption of imported green beans increased by 86% between 1996 and 2002, imports from West Africa only increased by 6% during the same period. The leading exporter of green beans to the EU is now Morocco, responsible for 40% of the EU market, followed by Egypt and Kenya. Among them, these three countries supply 80% of the imported green beans in the EU.

³⁸ In 2003 tomatoes made up 1.2% of Senegal’s total exports to the EU, and were valued at 3.9 million euros. (DG Trade)

³⁹ 5201: Cotton neither carded nor combed. In 2001-2002 cotton fibre represented 30% of total exports from Mali, 40% for Benin, and 44% from Burkina Faso.

⁴⁰ In West Africa, the main importers of potatoes from the EU are Senegal (37%), Mauritania (23%) and Ivory Coast (15%).

⁴¹ Ribier and Blein, 2001. For example, EU poultry exports to West Africa are made up of frozen pieces (wings, back, and neck) for which no market exists in the EU.

chicken pieces into Western Africa (Table 12) have damaged local production of poultry and are further damaging the maize production, where maize is produced for poultry feed.⁴³

Table 12. Impact of poultry import surges in some West African countries

	Period	Production variation during the period (%)	Import variation during the period (%)
Ivory Coast	1998 – 2000	- 33	+44
Gambia	1994 – 2004	- 36	+300
Senegal	1999 – 2003	- 13	+75
Togo	1999 – 2003	- 24	+75

Source: Ivory Coast: IPRAVI, 2004; Gambia: Ceesay M.B., Njie M. and Jagne M.A., 2005; Senegal: FAO, 2004; Togo: De Coster T. *et al.*, 2004.

Since the mid 1990s, subsidised imports of beef from the EU have flooded West African coastal markets (Nigeria, Ghana, Ivory Coast, Benin, and Togo). This damaged traditional exports from Sahel countries to coastal countries. But due to a reduction in EU export subsidies, a decrease in EU production (as a result of the BSE crisis), and the devaluation of the CFA Franc, beef from the Sahel has recovered its competitiveness. At present West African beef does not compete directly with EU beef. However, low-cost poultry imports from the EU have had an impact on local beef as consumers can substitute imported poultry for more expensive local beef.

Both wheat and meslin, and wheat and meslin flour, are exported from the EU to West Africa. It is a relatively important EU export to Nigeria, Senegal and Ivory Coast. In some cases these exports compete with domestic cereal production. Increasing demand is fuelled by a trend towards bread consumption, particularly in cities in response to changing consumer tastes. West Africa is not in a position to compete with modern, production from the EU. Nevertheless, it is necessary to maintain cereal production in West Africa to ensure a viable production, maintain producers' incomes and thereby protect long-term food security.

The main drivers of these current trends in trade flows are the following: *lack of infrastructure (including transportation)*. To continue developing exports of fresh fruits and vegetables and to benefit from opportunities for other products in the EU it is

⁴² Exports increased dramatically during the 1990s. Senegal does not import processed tomatoes from the EU, but supplies its own market with domestic production, that is protected by NTBs.

⁴³ Poultry imports into West Africa come mainly from the EU but the second most important supplier is Brazil and its importance is increasing.

necessary to improve intra-regional transportation infrastructure, airfreight, and processing capacity.

Lack of value-added. Even rudimentary processing at the local level could increase value-added.⁴⁴ For fruits and vegetables, investment in modern equipment and packaging could allow West African industries to develop and pursue markets for “kitchen prepared” vegetables and fruit salads, which are gaining an increasing share of the global market. However, associated costs could weaken the competitiveness of Western African products compared with other EU suppliers (Table 13).

Table 13. Price of packaging and local prices in West Africa

	Export price of mango jam (per jar – 350g)	Price of imported jar (from Italy)	Export price of green beans (per box – 3kg)	Price of the box (local production)
In francs CFA	CFA 745	CFAF 300	CFAF 1,800	CFAF 600
In EUR	EUR 1.14	EUR 0.46	EUR 2.74	EUR 0.91

Source: UCOBAM, 2004.

Small producers and lack of economies of scale. The export of fruits and vegetable from West Africa is most feasible for large companies and can threaten small-scale farmers.⁴⁵ Pursuing export markets could change the characteristics of agriculture in West Africa as in order to export, small farmers will have to organise themselves into larger units (such as co-operatives).

Growing competitiveness of West African production. In some sectors exports from the EU have been decreasing. For example, exports of beef from the EU into West Africa have been decreasing since the beginning of the 1990s due to growing competitiveness of West African production.⁴⁶

Regional Trade Flows. Trade flows of millet and sorghum are important between countries in the region, such as between Niger and Nigeria, and to Ivory Coast. Consumers appreciate Millet and sorghum, but their preparation time remains an obstacle in urban centres and creates an opportunity for processed products.⁴⁷ Most of

⁴⁴ Despite its importance, West Africa is the only major producer of cotton fibre in the world where value-added to its production through local transformation is insignificant. WAEMU only transforms 5% of its production compared to 62% in the United States and 159% in Brazil.

⁴⁵ Large retailers are a powerful engine for growth in access of fruits and vegetables to the EU market. In the UK, for example, large retail groups play a major role and command over 80% of retail sales of tropical fruits and off- season vegetables. EU importers tend to have little confidence that small-scale suppliers can guaranty acceptable levels of pesticide use, reliable traceability and compliance with SPS regulations. Therefore, importers tend to exclude small-scale suppliers by imposing strict requirements on them which involve costly investment.

⁴⁶ For example, in 1970 Ivory Coast imported 65% of its consumption, but only 25% in 1999.

⁴⁷ *Fonio* represents a niche market, a luxury good for urban consumption. Precooked, dried and packaged *fonio* is sold in urban centres such as Bamako, Ouagadougou, and Dakar.

the first level transformation of cotton fibre that occurs in the region is to meet the needs of the local textile industry.

Competition from EU Imports. Competition from EU imports can depress local markets for some agricultural products such as onions, potatoes, poultry and cereals.⁴⁸ Sustained high levels of imports, or import surges can flood local markets and threaten growth levels of local production or discourage the development of a local processing industry.⁴⁹ In many cases local production cannot compete with the cheaper imports.⁵⁰ For example, the cotton fibre industry in West Africa faces competition from imports of used clothing from the EU (and Asia and the United States), which depresses the local textile industry and the demand for cotton fibre.⁵¹ Moreover, depressed growth in one sector can have spill-over effects in other sectors. For example, impacts on local poultry production affect the feed sector, local production of maize, and even beef.⁵²

Competition for the EU market from third countries. Increasing competition from third countries for markets in the EU poses a challenge for West African countries with respect to pineapples, mangoes, green beans and cotton fibre. West African market share in the EU for pineapples and mangos has decreased while the market share of Latin American and South American countries has increased.⁵³ For fruits, loss in market share is a result of the introduction of better varieties and new products (ready-to-eat and individually packaged) by competing countries.⁵⁴ Both Argentina and Brazil are expected to increase levels of high quality beef exports to the EU in the coming years. Major competitor suppliers for green beans to the EU are Kenya and Morocco.

Lack of investment. A weak business environment contributes to lack of investment for agro-processing. This includes poor infrastructure, lack of trained

⁴⁸ For example, the EU is the third largest producer and exporter of poultry in the world and EU exports of poultry are decreasing in all markets except Sub-Saharan Africa, which now represents around 25% of EU exports (Hermelin, 2004).

⁴⁹ Increases in EU exports of prepared and preserved tomatoes in the 1990s negatively impacted the processing industry in West Africa. Interview with Diéry Gaye, *Fédération des producteurs Maraîchers de la Zone des Ndiayes*, Senegal, October 2004.

⁵⁰ The cost of “modern” production of poultry in Senegal and Ivory Coast is around 1.98 EUR/kg while the retail price of imported frozen chicken pieces is 0.82 EUR/kg (Hermelin, 2004). During the first six months of 2002, 40% of Senegalese production units closed down. In Ivory Coast, national poultry production decreased by 25% between 2002 and 2003 (Solagral, 2003).

⁵¹ Eighty per cent of cotton clothing is imported (much of it worn clothing) and the textile industry in West Africa is collapsing. In 1980 there were 41 textile plants in the region. At present, there are 20 textile companies in the region and most of them are struggling.

⁵² FAO, 2004, includes all exports (from EU, Brazil, United States).

⁵³ In 1996 West Africa supplied 64% of the EU’s pineapples. This had dropped to 53% in 2002. Brazil is the main provider of mangoes to the EU market, supplying 47% of the EU’s total imports of mangoes.

⁵⁴ COLEACP, 2003. *Les importations européennes de fruits et légumes frais de 1996 à 2002*. However, despite decreasing market share, EU imports of mangoes from West Africa are increasing (from 133% to 1,004% between 1996 and 2002).

personnel, and weak regional markets. The West African textile industry and other industries could improve their position in the market through investment to upgrade the quality of production however, it is capital-intensive and the cost of local credit is high.⁵⁵

2.6.3 Sustainability Impacts

2.6.3.1 Economic Impacts

Economic Performance

For all the products in this sector study, the past years have witnessed increases in production and, in some sub-sectors, increases in local processing. Notwithstanding the EPA negotiations, these trends are poised to continue.

Production for the regional market has been growing in West Africa. This includes onions and tomatoes, which are the main vegetables sold in the regional West African market.⁵⁶ It also includes production and processing of local cereals – millet and sorghum – for which ECOWAS is the world’s largest producer. Maize production is increasing most rapidly in areas where it is used primarily as animal feed, in response to demand for poultry feed. Both pineapple and mango production for export has also experienced a steady and sustained increased in production in West Africa since the early 1980s.⁵⁷ Over the past ten years poultry production grew by 30% in Sub-Saharan Africa and in 2001-2002 West Africa represented 5.1% of the world production of cotton fibre. The production of cotton and thus cotton lint in West Africa has increased since 1999 in Benin, Burkina Faso, Ivory Coast and Mali, and decreased in Ghana.

Levels of cotton lint sold to local industries has remained the same or increased, with the exception of in Mali where there has been a slight decrease. The production of cotton is not linked to the demand of the local textile industry (which is minimal compared to the level of national production) but rather to the demand of ginnerers who market cotton seeds locally to cottonseed oil mills and lint on the world market. The production of cotton yarn from cotton lint in West Africa is competitive compared to its

⁵⁵ Around 12% to 18% per year compared to around 1.2% in China.

⁵⁶ Tomato production has increased from 0.5 Mt in 1982 to 1.6 Mt in 2003. Production of onions increased from 0.5 Mt to 1 Mt. (FAO). The potato is a relatively new crop in West Africa but it has developed rapidly rising from 15,000 ha of production to 176,000 ha in the past ten years. Potato production is often undertaken out-of-season and supplies urban markets almost exclusively. (Bard 2004)

⁵⁷ Data on green beans production are not indicated, because it strongly differs according to the sources.

major competitors in Asia or with the EU and the United States.⁵⁸ Weaving is competitive but manufacturing dyed or printed fabrics is not due to the high cost of capital, energy and other inputs in West Africa compared to Asia.

Among the products in this sector study, cereals are the most commonly processed in West Africa. Cereal is typically processed at the small-scale traditional and semi-industrial levels. Traditionally, processing units were located in rural areas near production, producing primary processed products (semolina, flour, broken cereal, and granules). Now units are located in urban centres close to the demand and produce processed products with more value-added, such as couscous and baby flour. Most of these are in the informal sector.

The main drivers of increasing production are changing tastes and growing urban populations in the regional market as well as changing tastes and increasing demand in export markets. In the regional market, this leads to demand for processed products that can be cooked easily or have a particular reputation.⁵⁹ For the export market, production of fruits and vegetables include mangoes, pineapples and green beans and levels have been increasing over the past ten years in response to greater demand in the EU. In the EU there is also a constant demand for inputs into the cotton industry, including yarn and unbleached fabric. Moreover, demand from the EU *haute couture* and home design industries exists for semi-finished fabric for transformation.

Agriculture is already a major contributor to GDP in all countries of the region.⁶⁰ To the extent that production increases, and particularly increased levels of processing occur in the region, this contribution to GDP will continue to rise. This will be driven not only by trade but also by improved integration and logistical infrastructure in the regional market.

There are opportunities for further development of exports of fresh fruits and vegetables and the introduction of higher-value products subject to rudimentary processing. This development will need to occur in conjunction with increased investment. For cotton fibre, Mali has an objective to transform 20% of its cotton fibre

⁵⁸ West Africa can produce yarn at a cost of CFAF 1,715/kg (EUR 2.61/kg). This is low compared with costs of CFAF 2,028/kg (EUR 3.09/kg) in India, CFAF 2,054/kg (EUR 3.13/kg) in Thailand, CFAF 2,477/kg (EUR 3.78/kg) in the United States and CFAF 2,639/kg (EUR 4.02/kg) in the EU. (Boad)

⁵⁹ Such as the potato *Belle de Guinée* or the onion *Violet de Galmi*.

⁶⁰ Ranging from 17% of GDP for Senegal to 69% for Guinea Bissau with an average of 30% (WB 2004).

production, which would represent the creation of 11 plants each with a capacity of 4,000 t/year.⁶¹

At present few SMEs are active in the sub-sectors examined for this study. Where players are either large companies (textile industry) or small family farms or breeders, the quality requirements will induce the need for modernisation and organisation encouraging the creation of modern companies. The present lack of financial tools and expertise will probably prevent the creation of large entities and SMEs might offer a viable alternative. Development in fresh fruits and vegetables should also open up new subcontracting opportunities for SMEs in areas such as maintenance, packaging, and transport.

Government revenue

Import duties represent an important part of the state's budget resources in the region. At present, import taxes represent an average of 14.7% of government budget for ECOWAS countries.⁶² The importance of the informal sector and the inefficiency of tax collection explain why most West African governments rely on tariffs to fund the public budget. But the efficiency of import duty collection is low in some countries (Ghana, Guinea Bissau, Mali, Niger), as indicated in table 14, which have a negative impact on government resources.

Table 14. Efficiency of Import duty Collection (2001)

Country	Collection efficiency (%)
Benin	76.5
Burkina Faso	61.3
Cape Verde	78.7
Côte d'Ivoire	68.8
Gambia	78.3
Ghana	29.1
Guinea	89.9
Guinea Bissau	38.2
Mali	43.7
Mauritania	73.3
Niger	53.4
Nigeria	79.7
Senegal	90.0
Togo	77.0
Average	67.0

Source: Busse *et al.*, 2004.

⁶¹ The high cost of energy is a problem in West Africa since the cost of electricity accounts for 36% to 40% of the final price of yarn. Mali, Burkina Faso and Benin cannot guaranty the availability and price of energy. This problem is also important for the weaving industry especially in cotton-producing areas (where plants are optimally located).

⁶² Busse *et al.*, 2004.

Investment

With the exception of Nigeria where investment in agro-industry is well developed, West Africa suffers from a lack of investment, both local and FDI. In the sectors considered in this study, most investors are national. At present the business environment is not attractive for FDI or for national and regional investors. Main obstacles are the following:

- *Weaknesses of the state of law.* Despite progress made through the WAEMU and the OHADA treaty, which improved commercial law and its enforcement in the region, there are too many exceptions, which create an atmosphere of uncertainty for foreign investors.
- *Weaknesses of the financial system.* The banking system in the region (even in WAEMU and CFA zone) where bankers favour short-term investments is not conducive to encouraging investment.
- *Importance of the informal sector.* Rules are not the same for the modern sector and the informal sector.
- *Lack of services.* Services to support modern businesses are not well-developed in West Africa.

2.6.3.2 Social Impacts

Employment and labour. In these sectors, industrial plantation and individual farms both offer opportunities for employment. Therefore, increasing production, based on increases in domestic consumption, increasing regional trade and increasing production for export can have a positive impact on employment. Horticulture also provides seasonal jobs (planting, harvesting) in rural areas. In Sahel countries, beef production represents a large share of agricultural production and is an important source of employment in rural areas.

Despite the fact that the modern textile industry in West Africa is struggling, it is still a major employer in urban centres. Estimates indicate that the traditional textile sector (from cotton production to marketing finished products) in West Africa is a major employer accounting for 75% of the craft industry in Mali, 50% in Burkina Faso, and 35% in Ghana.⁶³ The increasing development of “fair trade” products for this growing EU market would increase attention to working conditions.

⁶³ John O. Igué, 2004. “The Informal Sector in West Africa” in *L’Afrique de l’Ouest dans la compétition mondiale*, Club du Sahel, OECD, Karthala.

Poverty

Increasing production leads to increased income generation and contribute to the health of both urban and rural economies. In particular, income creation in poorer regions could limit rural-urban migration. For small farmers, fruits and vegetable are essentially cash-crops which help alleviate poverty. Demand for vegetables is expanding within the region, and prices are sufficient to provide an acceptable income to farmers. Moreover, tariff levels are high enough to protect regional production against cheaper imports of potatoes and onions (in contrast to poultry). Cattle also represent a form of wealth, but pastoral breeders are often among the poorest and most vulnerable farmers.⁶⁴ At present, if imports of cheap beef from the EU remain at current levels, the economic viability of breeders should be maintained. The development of SMEs can also have positive impacts on poverty in rural areas although any impacts will be small under the baseline scenario.

To the extent that producers can comply with requirements for “fair trade” any negative impacts on poverty might be mitigated. But this impact will remain relatively insignificant, at least in the short term, as the market share, for “fair trade” products, is very small (at around 5% for coffee, the most important product sold under a “fair trade” label).⁶⁵ The example of “fair trade” cotton is presented in the Box 2.

Box 2. Fair trade cotton

Max Havelaar France, in collaboration with Dagrif, launched fair trade cotton in March 2005. Final products (mainly socks and t-shirts) will be sold in French retail shops. Under the “fair trade” regime, a commitment is made to provide a fair price to cotton farmers. Fair trade cotton is grown in Mali, Senegal Burkina Faso and Cameroon. To comply with fair trade requirements, prices paid by ginners to producers are guaranteed at from 26% (in Mali) to 46% (in Senegal) above the conventional price. Fair trade prices include a development premium, transferred to farmers’ organizations, in order to allow them to invest in schools, water sanitation, and other collective infrastructure. In March 2005, 2,500 families benefited from fair trade cotton and Max Havelaar France expects to extend the benefit to 20,000 families by the end of 2005. Around 10 million people depend on cotton production for their living in Western and Central Africa.⁶⁶

⁶⁴ Except in Mauritania, where breeders are richer than other farmers. (Lévy, M. 2005).

⁶⁵ Hermelin, 2003.

⁶⁶ EU-Africa Cotton Forum, Summary of proceedings – CTA 2005

Gender equity

Women in West Africa tend to be disproportionately impacted by pressures created by increasing competition because they often lack access to, and control over resources, which would enable them to participate more actively in economic development and to produce and trade competitively.⁶⁷ These issues of inequality between men and women are pronounced in Western Africa where women are the main traditional work force in rural areas. Consultations have shown that women are producers and also important traders, at all level of trade, formal and informal. Improving their level of education, access to technology and finance would have an impact on growth of most Western Africa countries where gender inequalities tend to have a high development cost.

The informal sector for fruit and vegetable processing is traditionally made up of women who should benefit from development, albeit slowly.⁶⁸ Small agro-processing units tend to be held by women, and in the informal sector small- or micro-firms are well adapted for the local market. The food industry consists mainly of fruit processing and processing tomatoes for concentrate.⁶⁹ This industry faces a number of challenges such as costs associated with packaging and energy which undermine their ability to compete with imported products. Picking mangoes provides cash employment for women.⁷⁰ This is expected to increase as the West African share of the EU market increases.

Under the baseline, imports of poultry are likely to increase in line with current trends. Typically, women are in charge of poultry production, which is considered a cash-generating activity and allows them to meet basic household needs. Imports of poultry have limited impacts on household production. But women face increasing difficulty selling their chicken due to lower prices or lack of middlemen available to collect the chickens from the villages.⁷¹ Poultry production may be assimilated into a coping strategy for poor households where little capital is available for women facing temporary difficulties. Modern forms of poultry production provide income and employment in semi-urban areas for women and create jobs. These positive gains will be possible, where import surges from the EU cease.

⁶⁷ APPRODEV. 2002. "EPAs – What's in it for Women? A gender based impact assessment study on 'Women in Zimbabwe: Issues in Future Trade Negotiations with the EU'". Brussels. November.

⁶⁸ François, 1995.

⁶⁹ François, 2004.

⁷⁰ GRET – Agridoc, 2003.

⁷¹ Interview of Djibo Bagna, Board of ROPPA, October 2004.

Food security

In West Africa, food insecurity is linked to several factors: dependence on and vulnerability to weather conditions, sub-regional disparity, local production deficits, inefficient markets and uncompetitive production industries.⁷² Food security is built on three pillars:

- Availability of food, which relies on production, markets and infrastructure;
- Access to food, directly linked with household income and poverty;
- Food utilisation, which directly affects the nutritional status of people.

At household level, the main cause of food insecurity in the region is poverty.⁷³

Local cereals (millet, sorghum, and maize) are the staple foods in most West African countries and are critical for food security, particularly in rural areas. Most ECOWAS farmers produce millet and sorghum primarily for household consumption. Any decreases in production could contribute to increased poverty, vulnerability and food security at the rural household level. However, at present this is not the case as cereal production is increasing across the region.

In Sahel countries, beef represents a larger share of the protein supply than in coastal areas, where poultry is the main supplier. Demand for poultry has been increasing in urban areas due to changing consumer tastes (an increase in animal protein and decrease in plant protein), convenience, and its availability at a lower cost than beef. The substitution of beef by poultry in coastal countries undermines breeders' incomes in the Sahel countries and increases their vulnerability.

Tropical fruits and vegetables are an important source of carbohydrate, vitamins, minerals and fibre and can be a crucial source of nutrition. The trend in the baseline scenario towards increasing production of fruits and vegetables should have a positive impact on the nutritional status of the population throughout West Africa. Rich in vitamin A and C, the mango is an important source of nutrients in Sahel countries and in-season, mango consumption covers 100% of vitamin A needs *per capita*.⁷⁴

⁷² West Africa – European Community – Regional cooperation strategy paper - 2002

⁷³ CILSS (2002).

⁷⁴ Bendeck M. A. 2000. *Les pratiques prometteuses et les leçons apprises dans la lutte contre la carence en vitamine A dans les pays de l'Afrique sub-saharienne*. Because of the lack of a conservation process (such as drying), a large share of mango production eventually rots under the trees. In Mali, Senegal and Burkina Faso, some drying units have been set up (mainly for urban middle class consumption in Mali and for export in Burkina Faso). An expansion of mango drying in rural areas would have a positive impact on the nutritional status of children.

2. 6.3.3 Environmental impacts

Land use

There are clear trends for a number of these products that production in West Africa is increasing under the baseline scenario. In most cases this is coming about as a result of placing increasing amounts of land under cultivation rather than through the use of intensive technologies or varieties that can improve yields. This is the case for fruits and vegetables. In some cases this implies the growth of large plantations. In other cases it means that increasing numbers of producers are entering production.

However, the trend towards larger plantations is underway, particularly as pursuing export markets is currently most effectively done by larger companies. In some cases increasing production of fruits and vegetables for export could involve use of land that was already under cultivation for products that may no longer be economically viable such as large tracts of land used for banana production in Ivory Coast. Nevertheless, large-scale production of horticulture tends to employ relatively high levels of agro-chemicals and require considerable amounts of water. Moreover, intensive production often relies on practices that are not sustainable, such as no crop rotation. These practices can lead to degradation of the land with particular impacts on soil fertility. However, these production units are the most profitable and would be in the best position to benefit from improvements to research and airfreight.

For cereal, increasing levels of production occur principally through increases in cultivated area rather than increases in yields. This means that for production to increase, more land is put under cultivation. Millet and sorghum increases in production are the result of increased land under cultivation rather than increased yields. Indeed, because increased cultivation tends to occur on marginal lands with fragile soils, yields typically decrease. Intensification of existing production on land already under cultivation should be pursued in order to increase production without cultivating fragile land. However, production techniques to pursue intensification should not unduly compromise the environment in other ways such as through an increasing use of agro-chemicals. Risks of extreme degradation (desertification) are particularly acute in the Sahel.⁷⁵ Therefore for all regions, but particularly the most vulnerable, the challenge is to increase yields rather than area under cultivation without compromising soil fertility.

⁷⁵ In the Sahel there is a particular problem with erosion and desertification. In Niger, only 19% of the country is non-desert, and most of this is highly vulnerable to desertification. Mauritania is similarly

Some production already employs sustainable practices that minimise impacts on land and soil structure and in some cases enhance soil fertility. For example, potato production is a good first step for crop rotation (impact on soil structure) and requires a high level of enriching agent, for instance manure (with a related effect on urban cleaning due to the fact that urban manure is sold to farmers).⁷⁶ Mango production is mainly undertaken using traditional techniques which can benefit other crops. For example, mango orchards cover cereals and provide a shade canopy. Maintaining a canopy is also good for biodiversity.

One characteristic of beef production in West Africa is its low degree of intensification, but this serves to optimise the low potential of some areas (semi-arid regions in Sahel countries). There is a new trend underway that is changing production. Herds are moving from dry areas to coastal areas and becoming permanently settled. This trend is just beginning, and may have positive environmental impacts, including allowing for the collection of dung and using it on crops, for example. However, there could be negative impacts and pressure on grazing lands. If breeders do not have access to their traditional pastures they may move onto more fragile land.

Poultry production in West Africa is generally carried out on a small scale with few environmental impacts. Therefore, any decline in the industry brought about by import surges is unlikely to reduce any significant pressure on the environment and the environmental impacts would be insignificant under the baseline scenario.

Use of inputs

To secure their cash-producing harvest, farmers tend to use pesticides and fertilisers on cash crops. The continued development of horticulture (fruits and vegetables) under the baseline scenario is likely to increase the use of chemicals with associated negative impacts of over-use or misuse, such as water contamination and health problems. Intensive production tends to be heavily water-consuming, which can induce salinisation, which damages soil fertility. This problem is related to irrigation

affected with 93% of the country classified as hyper-arid, and the remaining 7% at moderate to very high risk of desertification. (UNEP, 2002)

⁷⁶ Diallo, 2003.

technologies rather than to scale of production. Where drip irrigation is employed, water will be conserved.

However, farmers in West Africa tend to use little or no pesticides on food crops such as domestic cereals (millet and sorghum) and traditional methods of production tend to involve little or no use of inputs including water, and agro-chemicals.⁷⁷ Domestic cereals are well-adapted to the various climates in the region and are produced on a large scale with no (or very little) agrochemicals and irrigation. Therefore, any increases in production will probably not imply increased use of agro-chemicals.

In cotton producing areas soil fertility has been decreasing for the past several years. Farmers do not use enough fertilisers because the price paid by ginneries is decreasing, as a result of the trend in the world market price.⁷⁸ This degradation of soil fertility will probably continue.

Textile plants use large amounts of electricity to transform cotton, which can only be produced through generators using fuel. In some cases, synergies are being made with industries, such as the sugar industry, which produce large amounts of energy as a waste by-product. In the future, solar and wind energy might be options if plants are grouped in a devoted area allowing sufficient levels of consumption of energy to make investments in alternative energies viable. At present, current levels of production and the spatial distribution of production do not encourage this behaviour.

There may be added opportunities for pursuing “organic” labels for some products to help develop niche markets although expansion of organic production is hampered by difficulties in obtaining certification. There is no organic certification body in West Africa so although production in the region is essentially “organic” for a number of products, particularly fruit (mangoes) and vegetables (green beans) certification remains a challenge. Moreover, goods produced for the export market tend to be those that rely the most heavily on agrochemical inputs so increased opportunities for satisfying niche markets, leading to more sustainable production practices, could have positive impacts on land and water through decreased use of pesticides and fertilisers. The increase of transformed cotton lint might reduce the use of

⁷⁷ In Cape Verde 20% of irrigated areas have been converted to drip systems, allowing farmers to shift from sugar cane production (water consuming) to horticultural production (peppers and tomatoes), providing a better income. In this case, intensification provides income for farmers with efficient water management practices. FAO, 2003 (www.fao.org/ag/magazine/0303sp3.htm).

⁷⁸ CIRAD-GRET, 2002. Mémento de l’agronome.

agrochemicals in cotton production if efforts are made to pursue labels such as “organic cotton”.

2.6.4 Matrix of impacts of the baseline scenario

The following table summarizes the impact on sustainable development of the baseline scenario by product.

Impacts of the Baseline Scenario: Current Status of regional integration and liberalisation between the EU and West Africa					
	Fruits and vegetables for export	Fruits and vegetables for the regional market	Cereals	Meat: Beef and Poultry	Cotton Lint
Economic impacts	Significant exports from WA to EU / large quantities of exports from EU to WA Positive economic impacts (but increasing competition with third countries on EU market) Increasing production for all products.	No exports to from WA to EU/significant exports from EU to WA Positive economic impacts for onions and potatoes (complementarity between EU imports and local products) Negative economic impacts for preserved tomatoes (competition from EU imports depresses development of agro-industry for tomatoes)	No exports of cereals from WA to EU. Wheat and wheat and meslin flour exported in large quantities from EU to WA Negative for most countries because EU imports depresses WA market for local cereals	No exports from WA to EU / Large quantities of poultry exported from EU to WA (import surges); significant quantities of beef from EU to WA (declining) Increasing production. Competition from EU imports depresses local market for poultry EU beef not in competition with WA beef Negative for poultry Insignificant for beef	No significant exports to EU despite possible increase in production Competition from EU imports of worn clothing depresses local textile industry Weak link to EU market, poor marketing Little investment
Social impacts	Lightly positive	Positive for onions and potatoes Negative for processed tomatoes processing (women more affected)	Negative for poverty at the farm level (difficulties developing processing and low employment opportunities/competition with imports)	Negative for poultry (collapse of commercial farms; increase vulnerability and poverty for small-scale poultry producers) Negative for beef (breeders are the poorest participants in the agricultural sector)	Negative since depressed textile industry cannot offer viable markets in the region for local lint
Environmental impacts	Positive if adequate techniques of farming are employed (well use of fertilisers and chemicals – Organic farmers) Negative if trends to export lead to an increase in large-scale farms, often less sustainable.	Positive if adequate techniques of farming are employed (well use of fertilisers and chemicals – organic farming)	Negative (increase land cultivation instead of yields/cultivation of marginal lands)	Insignificant impacts	Insignificant at the level of yarn production Slightly negative for production of unbleached fabric (use of energy)

2.7 Full liberalisation scenario

This scenario is introduced as a way to explore the impacts of full liberalisation and help identify the most effective asymmetric liberalisation that should be pursued in an EPA scenario. .

2.7.1 Regional integration

Full liberalisation *per se* will not have an impact on the regional integration process, but will probably discourage investors in sensitive sectors, due to their inability to compete with cheaper imports. This will undermine regional production for regional market, and slow the expansion of regional markets.

2.7.2 Trade Flows

2.7.2.1 Impacts on ECOWAS exports to the EU

Exports from ECOWAS to the EU are close to being fully liberalised. For the products covered by this study, tariffs barriers remain for non-LDCs for mango juice and mango preserved in sugar. Liberalisation such as that proposed in the full liberalisation scenario will have few, if any, impacts on the export of ECOWAS products to the EU as tariffs are not obstacles to increasing this trade for fresh fruits and vegetables.

2.7.2.2 Impact on ECOWAS imports from the EU

The analysis is based on the econometric analysis. The results of the econometric analysis, in terms of assessing price elasticities, differ for products in this sector study.

Wheat. WAEMU countries are not sensitive to price of imports. On the other hand, non-WAEMU countries are highly sensitive to price of imports. An increase of 1% in the price will decrease level of imports by 1%. The long term elasticity for non-WAEMU country is at -1.4%.

Onions. Short term elasticity is calculated at - 1% for all countries. Long term elasticity is 1.4% for all countries (which may appear high).

Potatoes. WAEMU countries react strongly in the short term to the price of imports. Elasticity is between -1.2% and -1.4%. Long-term elasticity is calculated -2% (which may appear high). For non-WAEMU countries, short-term elasticity is between -0.5% and -0.7%. Long-term elasticity is -1.6%.

Beef. Elasticity of current imports *vis-à-vis* last year's imports is significant (0.7% to 0.4%). Short-term elasticity of imports *vis-à-vis* price of imports is around -1%. Long-term elasticity is estimated at -1.4%.

Poultry. Short-term elasticity is between -1.5% and -1.7%. Long-term elasticity is estimated at -1.9%.

Results for wheat are significantly different than for other products. For those one, level of imports are sensitive to price levels, whatever is the country.

For wheat, results are further differentiated between WAEMU and non-WAEMU countries. In WAEMU countries wheat imports are not sensitive to price levels and, by extension, are not sensitive to tariff levels as they are in non-WAEMU countries. Imports of wheat into non-WAEMU countries are likely to have a price elasticity level of -1 which means that changes in price brought about by changes in levels of tariffs will have an impact on consumption. Explanations for this result include:

- Wheat (in the form of bread) is now a dietary staple in all the countries of the WAEMU (mainly in urban centres), and countries have to import wheat, whatever its price.⁷⁹
- The EU is the main supplier of wheat to WAEMU countries. However, this is not the case for all ECOWAS countries (the United States is the main supplier of wheat to Nigeria and Ghana). Therefore, to maintain a constant level of wheat imports, a decrease in the EU price of wheat would lead to more ECOWAS countries (such as Nigeria or Ghana) importing wheat from the EU.

Moreover, fluctuations in the price of wheat are not always transmitted to final consumers. Therefore final consumption is not necessarily sensitive to the import price. This is the case of Burkina Faso⁸⁰, Mali⁸¹ and Mauritania⁸², for instance, where wholesale oligopolies do not transmit price changes to retailers and so final consumers do not face variations. In Cape Verde government intervention stabilises the price of wheat.⁸³ In Senegal, there is collaboration between the government and private sector to protect the consumer from changes in the price of bread.⁸⁴

The econometric analysis for the four other studied products (onions, potatoes, beef, and poultry) estimates a price elasticity varying from between -1 and -1.6. In the simulations in Table 15 the elasticity is assumed to be -1. The WAEMU countries are presented as a group because they share a CET. Other ECOWAS countries are singled out because their current rates of applied tariff differ.

Table 15. Potential impact of a full liberalisation

⁷⁹ This is confirmed by the econometric analysis where the import level of year n is strongly linked to the import level of year $n - 1$.

⁸⁰ Sourisseau J.-M., 2000.

⁸¹ Egg, J. 1999.

⁸² Lambert A. and M. Boubboutt, 2000.

⁸³ Rabès J., 2000.

⁸⁴ Communication from the Senegalese Ministry of Small and Medium Enterprises and Trade.

	WAEMU	Cape Verde	Gambia	Ghana	Guinea	Mauritania	Nigeria
Onions							
Total imports from the EU in metric tons (2003)	93138,10	1765,00	7384,80	179,80	14410,00	13243,10	45,00
Total imports if full liberalisation	108664,22	2118,00	8953,33	209,77	16503,77	14446,90	67,50
Increase in metric tons	15526,12	353,00	1568,53	29,97	2093,77	1203,80	22,50
Potatoes							
Total imports from the EU in metric tons (2003)	61483,20	8936,40	3625,70	2839,40	874,90	24109,70	202,30
Total imports if full liberalisation	71732,45	11253,61	4395,80	3636,14	1002,02	25257,32	303,45
Increase in metric tons	10249,25	2317,21	770,10	796,74	127,12	1147,62	101,15
Beef							
Total imports from the EU in metric tons (2003)	4037,00	5,70	2,30	1400,70	155,70	52,00	0,00
Total imports if full liberalisation	4709,97	7,60	2,79	1634,20	178,32	60,67	0,00
Increase in metric tons	672,97	1,90	0,49	233,50	22,62	8,67	0,00
Poultry							
Total imports from the EU in metric tons (2003)	106614.10	2327.10	1580.00	14634.30	3353.70	5333.30	743.60
Total imports if full liberalisation	124386.67	3102.72	1915.59	18740.68	3840.99	6222.36	1115.40
Increase in metric tons	17772.57	775.62	335.59	4106.38	487.29	889.06	371.80

The simulation for Nigeria has to be used with caution, due to the fact that for several years it has applied a ban on some food imports (such as beef), which explains the low level of potential imports under a full liberalisation scenario.

For the West African region as a whole, the impact of the full liberalisation scenario on imports of onions, potatoes beef and poultry is summarised in Table 16.

Table 16. Potential impact of full liberalisation for selected products

	Onions	Potatoes	Beef	Poultry	Total
Increase (metric tons)	20,797.70	15,509.19	940.14	24,738.32	
Increase (%)	15.98	15.19	16.63	18.38	
Increase ('000 euros)	3,834.68	2,476.69	926.77	16,634.84	23,872.99

These findings can be compared to the results of other recent studies.⁸⁵ Two assess the impact of a full liberalisation between the EU and the ECOWAS. Both refer to an EPA but assume a scenario of full liberalisation, which is not a realistic outcome of an EPA. The two studies find that exports from the EU will increase under this scenario. The first one indicates that substantial trade will be diverted from Ghana and Nigeria to the EU. On the other hand, five countries (Togo, Mali, Niger, Senegal, and Guinea-Bissau) would not face trade diversion. According to the authors, this indicates that these countries engage in limited trade with other ECOWAS countries. In reality this is not the case due to high levels of informal trade.

In the second study, Busse *et al.* indicate that trade creation effects are larger than trade diversion effects under a full liberalisation scenario, and all countries in the region will experience a loss of government revenue. The elasticity assumed from 0.4 to 1.0 for wheat and meslin differs from the calculation for this SIA. Some tariffs used are different from the applied tariffs (mainly for Nigeria) and this is reflected in the results. For instance, tariffs for beef and poultry are assumed to be 25% while applied tariffs for these products are 100% (indeed there is a ban on poultry imports). Tariffs for potatoes and onions are assumed to be 40% when they are actually 100%.

A final study, commissioned by the FAO and the WAEMU Commission, is an *ex-post* assessment of the implementation of the CET at the WAEMU level. It presents levels of imports in the region before and after 1 January 2000. For most of the countries the CET is lower than former national tariffs, and therefore the implementation of the CET is, in effect, liberalising. This study indicates that wheat flour is not sensitive to price decreases but that beef, poultry and potatoes are very sensitive. (Table 17)

Table 17. Variation of imports in the WAEMU area (average of annual import in 1996-1997-1998 versus average of annual import in 2000 – 2001 – 2002)

	Variation of import in value (%)	Variation of import in quantity (%)
Potatoes	+ 24	+ 60
Wheat flour	- 24	- 4
Beef	+ 230	+ 947
Poultry	+ 150	+ 87

Source: UEMOA/FAO. 2004.

⁸⁵ *Economic Commission for Africa. 2005. Economic and Welfare Impacts of the EU-Africa Economic Partnership Agreements.* This study employs a partial equilibrium model (WITS/SMART model) to estimate the economic and welfare impacts of the EU-ECOWAS EPA

Busse M., Borrmann A. and Großmann H. 2004. The impact of ACP/EU Economic partnership Agreements on ECOWAS countries: an empirical analysis of the trade and budget effects. Hamburg Institute of International Economics. This study uses a partial equilibrium model (*Verdoorn* model) to assess trade and budget effects of the EPA, disaggregated at a four-digit level

UEMOA/FAO. 2004. Etude des mesures fiscales et non tarifaires régissant la production, les échanges des produits agricoles et la sécurité alimentaire au sein de l'UEMOA.

2.7.3 Sustainability Impacts

2.7.3.1 Economic impacts

Economic Performance. Due to the low degree of sensitivity of wheat import to the price of imported products, trade liberalisation between the EU and ECOWAS countries will have a small economic impact. For non-WAEMU countries the decrease of tariffs on wheat imported from the EU will increase the market share of the EU for wheat imports and decrease market share for other suppliers (such as the United States). The econometric analysis does not provide any indication of the result of an increase competition for processed cereals products (such as pasta versus local cereals) on regional markets.

Another element to be taken into account is the improvement in the competitiveness of West African products due to the reduction of inputs costs. Most inputs for agricultural production (such as fertilisers, pesticides, and seeds) and agro-processing (such as machinery and packaging) are imported from the EU. Removing tariffs in West Africa could reduce the cost of these inputs provided the benefits of lower costs are passed on to producers or agro-processing businesses. However, the impact of this is likely to be minimal, at least in WAEMU countries where at 5% tariffs are already low for most inputs. Table 18 illustrates the potential decrease in the price of inputs in Mali under further liberalisation, as an example.

Table 18. Potential decrease of imported input prices in Mali under full liberalisation⁸⁶

Nitrogenous fertilizers	Phosphate fertilizers	Potassic fertilizers	Mixed fertilizers	Vegetable seeds
- 4.0 %	- 4.3 %	- 3.0 %	- 0.1 %	- 2.7 %

As indicated in the baseline scenario, since the late 1990s West African countries have faced an ongoing surge in poultry imports from the EU, which has resulted in a drop in local production. The econometric analysis indicates that full liberalisation under an EPA would exacerbate the problem of import surges and lead to further drops in production of around 18%. Impacts would be most pronounced for commercial farms, which tend to be most vulnerable to imports because they compete with the same markets: urban centres and supermarkets. SMEs and household production are less affected, but will be affected by a drop in the retail price of chicken in local markets, which increases their vulnerability and poverty. Moreover a collapse of commercial

⁸⁶ Faivre-Dupaigre B. *et al.*, 2004.

farms would have a spill-over effect on employment for providers of inputs such as chicks and feed.

Most farms and agro-industry are small or medium-sized. The smallest are able to use coping strategies in order to face economic difficulties. One of the coping strategies is to reduce monetary needs (lower consumption of inputs, medicine, clothing or education, for example). In this way small industries can cope with declining incomes and by mitigating risks associated with loss of income they are less vulnerable than medium-sized enterprises, which tend to be more closely linked to the market, and have to buy inputs and provide salaries to their employees. Due to the lack of access to credit, medium-sized companies are ill-equipped to face short-term difficulties. The benefit of decreasing input prices would be insufficient to compensate for losses from price decreases for products. This is true for all the products discussed in this sector study.

In the poultry sector, impacts of the full liberalisation scenario will vary depending on whether production is carried out by SMEs or by large commercial producers. SMEs tend to be located near urban areas and represent a large share of poultry production (up to 90% in Gambia and 95% in Togo). SMEs and household production are less affected than commercial farms, but will experience a drop in the retail price of chicken in local markets. Commercial farms are more vulnerable to imports because they compete in the same market.

Government revenue

Full liberalisation could have a significant impact on public finance if fiscal reforms are not implemented at national and regional levels. Busse *et al.* (2004), estimated the loss of import duties by products and by countries based on a scenario of full liberalisation. The results of the study for the products covered by this SIA are presented in Table 19.

Table 19. Budget impacts of full liberalisation in for ECOWAS and Mauritania for selected products.

Product	Budget implications (\$US)
Beef (HS 0201 + HS 0202)	-343,825
Poultry (HS 0207)	-12,239,183
Potatoes (HS 0701)	-2,301,214
Onions, shallots and garlic (HS 0703)	-3,281,620
Wheat and meslin (HS 1001)	-14,561,159
Wheat and meslin flour (HS 1101)	-6,732,016
Tomatoes prepared (HS 2002)	-6,465,389
Cotton Yarn, >85 % cotton, not for retail (HS 5205)	-102,720
Worn clothing and other worn articles (HS 6309)	-27,395,335

Source: Busse *et al.*, 2004. This analysis does not include Sierra Leone, Liberia or Gambia.

Loss of budget revenue is particularly important for worn clothes, wheat and wheat flour, poultry, and prepared tomatoes. The case of worn clothes highlights the importance of second hand imports of clothes; although these products are heavily taxed, they are still imported in large quantities. The decline in import duties is minor for beef because imports from the EU have been low in recent years. The top 50 affected products for most of ECOWAS countries are shown in Table 20.

Table 20. Rank of the products in the top 50 most affected products by country

	Beef	Poultry	Potatoes	Onions	Wheat and meslin	Wheat and meslin flour	Prepared tomatoes	Worn clothing and other worn articles
Benin		1			43	8	6	2
Burkina Faso					32	6	16	14
Cape Verde		4	10	40				
Ivory Coast				44	11		14	30
Ghana		6			34	27	8	2
Guinea				32	5	8	19	13
Guinea Bissau		11		47		6	38	13
Mali					11	14	35	16
Mauritania						7		39
Niger						2	11	
Nigeria					16			
Senegal		21	18	6	7	24		28
Togo		2			50		16	7

Source: *Busse et al., 2004*. This analysis does not include Sierra Leone, Liberia or Gambia. The top 50 are taken from a total number of 1,240 products.

The most affected countries are LDC coastal countries, led by Benin (Table 21). This is not surprising because some coastal countries, such as Benin (so-called “warehouse states”) import large volumes to re-export to neighbouring countries, such as Nigeria, and landlocked countries import from the EU through coastal countries. Moreover, the three non-LDCs are more diversified than the LDCs, and budget losses affected more products, but at lower levels.

Table 21. Impact of full liberalisation on budget, for the selected products

Country	Decline in import duties (US\$)	Decline in import duties (% of total import duties)
Ghana	27,358,670	5.44
Benin	11,572,110	15.23
Nigeria	9,130,817	0.72
Senegal	7,561,156	4.64

Country	Decline in import duties (US\$)	Decline in import duties (% of total import duties)
Ivory Coast	5,785,709	2.67
Mali	1,969,321	1.83
Niger	1,913,588	4.58
Cape Verde	1,951,670	5.12
Guinea	1,900,787	5.32
Togo	1,540,089	3.98
Burkina Faso	1,379,581	2.20
Mauritania	744,261	2.28
Guinea Bissau	522,254	6.07

Source: *Busse et al.*, 2004 and author's calculations. Only products selected for this study (see Table 19) are included in the figures above.

Investment

Full liberalisation, based on 100% tariff reductions, would not have a significant impact on the ability of West African countries to attract FDI where challenges are related to issues associated with domestic law, transparency, investor confidence, and logistical difficulties, rather than market access considerations.

2.7.3.2. Social impacts

Employment and labour

In West Africa, most of labour in farms is family labour, except for poultry sector, where both family-work and employed-work exist. In the poultry sector, impacts of the full liberalisation scenario will be vary depending on whether production is carried out by SMEs or by large commercial producers. Commercial farms provide jobs, and in general employ between 2 or 10 people on a permanent basis. This is considered large-scale production in the region. SMEs, which carry out most of the poultry production in the region, tend to be run by family workers, but can include one or two employees.

Because of expected drops in production under full liberalisation this will tend to have a negative impact on employment in the poultry sector. These impacts will be most pronounced for commercial farms. SMEs and household production are less affected, but will experience a drop in the retail price of chicken in local markets which increases their vulnerability and poverty. Moreover declines in commercial farming have spill-over effects on employment with respect to producers of inputs (such as chicks and feed). Family workers on a farm can also become underemployed. When farm income decreases, they continue to work on the farm, and impoverish themselves. When poverty is too acute, they move to urban centres or other countries. However, full liberalisation will not have an immediate impact on employment of family labour.

Poverty

One determinant of poverty in West Africa is the low level of prices for agricultural products.⁸⁷ According to FAO and WAEMU, the implementation of the CET at the WAEMU level led to a decrease of tariffs for most of the countries and generated a decrease in prices paid to farmers.⁸⁸ This impact was estimated for five countries and around 40 products. The price decrease affected from 62% of products (in Benin) to 74% in Mali. On the other hand, in Ivory Coast the price of 95% of products increased. Any decrease of price of products has an immediate impact on producers' incomes. The decrease in tariffs under full liberalisation scenario with the main trading partners of West African countries is likely to have the same effect—a decrease in the price of products and a decrease in farmers' incomes.

The production of vegetables for the regional market (onions, potatoes or tomatoes) tends to provide income to small producers. For example, in Guinea 13,500 small-scale farmers produce potatoes.⁸⁹ Full liberalisation will improve competitiveness of EU products (such as onions and potatoes from the Netherlands and tomato concentrate from Italy) in the West African market. In West Africa, price is the most important factor in consumers' decision-making for all goods and they will probably choose to consume cheaper imported products over more expensive local goods, as shown by the example of cheap poultry imports in the baseline scenario. This will mean loss of income for producers, if they are not able to shift production into goods that do not compete with cheaper EU imports. Because growing vegetables is a relatively recent activity in the region, these producers will likely face difficulties diversifying.

Therefore, it appears that the impact of full liberalisation on poverty will be the same as for the baseline for meat and tomato concentrate, only more extreme. It should have a significant negative impact on producers of vegetables as at present West African vegetables are able to compete with EU imports, but they will not be competitive if West African tariffs decrease to zero.

Gender equity

In rural areas in Western Africa, women are more involved in agricultural production than men and they are also poorer than men. Therefore, any decrease in the

⁸⁷ R-PRSP, draft, 2004.

⁸⁸ WAEMU/FAO. 2004.

⁸⁹ Metra Economics consulting, 2004. Etude de l'impact d'un APE sur la République de Guinée.

income of farmers will affect women first. Moreover, small-scale agro-processing units are managed by women, providing them a diversification of income. Small-scale processing tomato is a way for women to conserve surpluses of tomato production, and to reduce losses. Household production of chicken (that occurs in backyards) is undertaken by women. Chicken is marketed in local markets, and they are vital for food security and income safeguard of poor rural and semi-urban dwellers, during lean periods. Any increase of competition with EU products will affect women by losses of incomes and losses of opportunities for income diversification.

Food security

As poverty is the main cause of food insecurity within the region,⁹⁰ the impoverishment of producers will increase food insecurity at household level and generate a decline in the nutritional status of vulnerable populations, including children.

On the other hand, consumers in ECOWAS will gain from liberalisation, because they will have access to goods at a lower price (if EU exporters and ECOWAS importers pass on the benefits of tariff reduction to West African consumers). Due to the low degree of processing in West Africa prices paid to producers tend to be transmitted to consumers. Any decrease in prices paid to farmers (such as those following the implementation of the CET at the WAEMU level) will have a positive impact on consumers as food should become more affordable with a positive impact on their food security. However for producers, cheaper imports threaten their incomes and their ability to buy food and undermine their food security.

Generally, the social impact of full liberalisation will be negative for farmers and positive for consumers. Today, the rural population is poorer than the urban population, so in static analysis, full liberalisation will probably increase poverty in rural areas and increase inequalities. But the demographic trend shows that the urban population is growing faster than rural population, and that poverty is increasing in urban areas. If the urban poor become more numerous than rural poor full liberalisation will improve food security, by providing cheaper food to urban consumers. Today, it is difficult to know if the trend of increasing urban poverty will lead to shift from mainly rural poverty to mainly urban poverty.

⁹⁰ CILSS (2002). *Sahel 21, le refus de la misère, le choix d'une sécurité alimentaire durable*.

2.7.3.3. Environmental impacts

Land use

Impacts of full liberalisation on land are likely to be limited because increasing production is not likely to result in additional widespread increases in cultivated land for the products in this study. This trend already exists for cereals. If it is exacerbated by increasing levels of exports there could be further negative impacts on land as a result of erosion and declining soil fertility and ultimately desertification, which is a major risk in some parts of West Africa.

Because of the social and economic impacts of full liberalisation on vegetables, results in a decline in producers' incomes there may be negative impacts on land quality. This is because farmers may not be able to afford to buy fertilisers to augment their land. If they continue to produce on the land at current levels, without the use of fertilisers the fertility of the soil will eventually decline. The result of this in the medium and long term is the abandonment of the land for new land with better fertility. However, when better land is not available, producers are forced onto more marginal, fragile land.

In the beef sector, breeding (the traditional activity in the Sahel countries) is typically engaged in by the poorest levels of the population. If their incomes drop, they will not abandon their practices. Rather they are likely to rely more heavily on natural resources – land – and increase pressure on marginal land through over-grazing.

Use of inputs

As indicated above, any drop in farmers' incomes will tend to reduce the amount of inputs they apply to land and if cultivation techniques are not adapted to this reduction, this will have a negative impact on soil fertility. However, farmers can also cope with declining incomes by purchasing cheap agro-chemicals of poor quality which can be dangerous to human health.⁹¹

2.7.4 Matrix of impacts of the full liberalization scenario

The following table summarizes the impact on sustainable development of the full liberalisation by product.

⁹¹ Jouve P. Transition agraire et resilience des sociétés rurales, 2004

Impacts of a full liberalisation scenario					
	Fruits and vegetables for export	Fruits and vegetables for the regional market	Cereals	Meat: Beef and Poultry	Cotton Lint
Economic impacts	Lightly positive (liberalisation of EU market will benefit the non-LDCs only and tariffs exist only for limited mango products / gains are very low)	Negative impact on WA trade balance (increasing imports), particularly for prepared tomatoes Negative impact on prices in WA markets (downward pressure). Negative impact on government revenue from removal of duties on prepared tomatoes.	Insignificant impact. Imports will likely remain at the same level as in the baseline, see impacts above Negative impact on government revenue from removal of duties on cereals.	Negative impact for poultry Small negative impact for beef (due to a small increase in imports from the EU) Negative impact on government revenue from removal of duties on poultry.	Negative impact on government revenue from removal of duties on worn clothing Positive with the revival of the textile industry with high levels of investment and value-added on raw cotton.
Social impacts	Positive if farmers and exporters are able to take advantage of opportunities. But competitiveness of West African products remain low.	Positive for urban consumers (lower food prices) Negative for rural populations (where most poor are) and producers Negative for poverty and inequalities Negative for food security in rural areas (because of impact on poverty)	Neutral for urban consumers (lower food prices) Neutral for poverty and inequalities Neutral for food security (because of increasing poverty)	Positive for urban consumers (lower food prices) Negative impact for poultry Small negative impact for beef Negative impact on poverty and inequalities Negative impact on food security (because of increasing poverty) Negative impact on women (because women produce poultry at the household level and will be most affected by the decrease in price)	Positive for employment and revenue creation in rural areas Positive for increased training and quality control Positive to stabilise prices to ginners and farmers
Environmental impacts	Positive impacts to the extent that organic farming develops (producers are already aware of increasing demand in the EU) Negative impacts to the extent that unsustainable, large-scale production ensues.	Depends on the way farmers are going to cope with economic impacts and on national and regional policies	Depends on the way farmers are going to cope with economic impacts and on national and regional policies	Insignificant for poultry (very few environmental impacts and declining production) Negative for beef if poultry substitutes for beef for consumers. Trends are to pursue extensification practices on marginal land	Negative with additional energy needs use of fossil fuel (unless alternative energy sources can be made economically viable, such as wind or solar). Positive for soil fertility (farmers get higher incomes and increase use of fertilisers)

2.8 EPA scenario

The EPA scenario for this sector study is the following:

- Creation of a common market at the ECOWAS level: extension of the WAEMU CET to all ECOWAS countries, and implementation of a free trade area within the region;
- 100% liberalisation for the EU side and 80% for ECOWAS countries. This does not imply that all tariffs, bound at the WAEMU CET level will decrease by 80%, but that 80% of trade flows will be fully liberalised, and 20% will be excluded from liberalisation. According to the result of the assessment of a full liberalisation scenario, some sectors (potatoes, onions, prepared tomatoes, and poultry) should be excluded from liberalisation. This proposal may be re-examined at the light of the evolution of economic performance of this sector.

2.8.1 Regional integration

The EPA negotiating process is already a useful tool for encouraging regional integration. Launching the EPA negotiations was a boost for regional integration and progress has been made to fill the gap between ECOWAS and WAEMU including strong political statements about the necessity of improving integration in ECOWAS. The fact that all parties involved in the EPA negotiations agreed on an agenda, which includes regional integration in the first year, highlights the fact that it is considered a prerequisite to increasing liberalisation with the EU through an EPA.

To the extent that an EPA can help attract foreign investment, there are opportunities for growth. However, foreign investors will require transparency and a secure business environment. Building added value and comparative advantages implies a clear long-term horizon within a secured national business environment, a well functioning regional market and stable international markets. If these conditions are met investors may be willing to take more risks. A conditioning factor of any impacts on investment is political instability, which will impact investment independently of trade and liberalisation.

There may be positive impacts for trade of an EPA to the extent that it promotes trade facilitation at a regional level and simplifies and streamlines requirements and procedures related to imports and exports, taking into account high standards, (with a particular focus on import licensing, customs valuation, and pre-shipment inspection) it will improve transparency, and promote trade and competitiveness. In this context, trade

facilitation is important due to the high level of investment required. Access to a large market base is necessary to take advantage of economies of scale. Small agro-processing units can only supply local markets or niche markets in the EU. At the same time, access to regional markets could be improved through improved infrastructure and streamlined procedures at the border including, where possible, harmonisation.

Regional integration is also vital for creating alternative government revenues to replace declining import duties. For the cotton sector, an improvement of local transformation will induce additional fiscal resources although levels of taxation must be compatible with competitiveness requirements.⁹² Indeed, this is true for all agro-industrial development across the sectors considered in this study. Coupled with more effective taxation policies and enforcement of those policies the impacts of declining duties could be mitigated.

Deepening regional integration as assumed in the EPA scenario will expand the regional market for all producers. Coupled with improvements in regional trading infrastructure this is vital to help producers in West Africa ultimately improve their competitiveness. Some progress has already been made through regional integration. The expansion of regional demand already exists for new crops such as potatoes and green beans, which command high prices in local markets.⁹³

In some sectors, such as cereals, increases in production have come about as a result of improved regional integration including, for example in the transportation sector where agricultural areas are better linked to markets. Intra-regional trade flows are also important for livestock, which must be transported from pastures in Sahelian countries to urban centres in coastal countries and Nigeria. Regional integration may create a real regional market for millet and sorghum for human consumption and maize for animal feed. Deepening regional integration holds out the prospect of an expanded market and increasing regional trade flows for poultry in the region and for vegetables (potatoes and onions). An EPA could halt this trend, with a substitution of local products by imported products on the regional market.

Regional integration can also have positive impacts through the development of regional programmes to support specific industries. For example, WAEMU has adopted

⁹² Today only 10% of cotton produced in the region is transformed for the needs of the textile industry. Nigeria is an exception since 80% of locally produced cotton is transformed for the needs of an important textile industry. The target of WAEMU cotton strategy is to transform 25% of raw cotton in 2015.

⁹³ These products are considered festive products and on Christmas, Tabaski and New Year's Day, green beans are sold in Ouagadougou at the export price of 650 CFAF/kg. Interview with the manager of the Union of Vegetable Co-operative of Burkina Faso (UCOBAM), 2004.

a work program for textiles.⁹⁴ It is based on the idea that by adding value to cotton fibre through simple transformation into yarn and unbleached fabric would have positive economic and social impacts by creating additional revenue and employment and have few negative impacts on environment.⁹⁵ The main problem continues to be a lack of both an effectively implemented CET and any policies to support the textile industry at national and regional levels.⁹⁶ Support for regional integration and regional industrial and environmental policies would help overcome these obstacles and contribute to the sustainable development of this sector.

The countries of ECOWAS already benefit from moves toward transit transport facilitation in West Africa. Under the ECOWAS treaty, member States committed to develop common transport policies and formulate plans for the improvement and reorganization of their transport infrastructure. The ECOWAS treaty was supplemented by two transit transport conventions adopted in 1982. The first, the *Convention Relating to Inter-State Road Transportation* established the ECOWAS road transport network and technical standards. The second, the *Convention Relating to the Interstate Road Transit of Goods*, sought to establish an international customs transit system.

This existing legal framework has created a system that can work, but will take time to overcome hurdles such as formal and informal barriers with respect to the organisation of road transport which does not encourage a clear set of applied rules. Successes in the Ivory Coast on organised and protected road transport for the transport of dangerous goods indicates that the system can work and there is increasing pressure from clients and transporters to improve it both in the Ivory Coast and in other countries.

2.8.2 Trade flows

2.8.2.1 ECOWAS exports to the EU

Liberalization such as that proposed in this EPA liberalisation scenario will have few, if any, impacts on the export of ECOWAS products to the EU, as tariffs are not obstacles to increasing this trade for fresh fruits and vegetables.

⁹⁴ WAEMU has adopted an *Agenda for the competitiveness of the textile value chain*. It includes (1) measures to promote and facilitate local transformation of cotton fibres; (2) the creation of a regional investment fund for the development of the textile industry in WAEMU; (3) organisation of periodic private/public meetings on measures to improve the competitiveness of the value chain; (4) creation of a regional training program for textile workers; (5) the creation of regional textile centres; (6) launching of a promotional campaign for the textile sector in the region.

⁹⁵ If the world price for cotton fibre is US\$100/kg the selling price for yarn will be US\$1,200/kg; a small plant producing 4,000 tons per year would create approximately 900 permanent jobs.

⁹⁶ A recent WAEMU work program is a major step forward provided it can be implemented.

The main obstacles to entry into the EU market for West African products remains the inability of producers to respond to consumer demands in terms of packaging, just-in-time delivery, required quantities, and other marketing issues, required by private sector in the EU.⁹⁷ Interviews with West African exporters of fruits and vegetables and with the *Comité de liaison Europe-Afrique-Caraïbes-Pacifique* (COLEACP) indicated that there is no difficulty for West African exporters of fresh fruits or vegetables meeting EU SPS requirements, given their long history of exporting to the EU. However, for others products, particularly processed products and animal products SPS requirements continue to pose a major challenge for West African producers.

In order to respond to consumer demand, supplying niche markets is an opportunity to be explored for West African products.⁹⁸ This should be an opportunity to expand exports of mango. In the EU consumption of both fresh and processed mangoes has been increasing. However, taking advantage of this will involve improving competitiveness of West African products, or matching specific markets (Box 3).

Box 3. The market for mango pulp in the EU

Increase in demand for mango in developed countries (mainly the United States and the EU) had increased production in developing countries. West Africa represents a small share of the global mango market, but its share of the EU market is increasing. Export of mango pulp from West Africa remains low and there is an opportunity to increase exports. Mango pulp is used for agro-processing in fruit juice, ice cream, pastries and baby food.

To estimate the relative competitiveness of West African mango pulp and of other main producers, the price of mangos (fob), interest rates and labour costs are compared in the table below.

	Interest rate (%)	Labour cost for agro-industry (\$US)	Price of fresh mango (f.o.b./\$US)
Mexico	10	244.65	513.05
Brazil	17	245.29	490.83
India*	11	42.07	463.55
Philippines	11	137.76	861.40
South Africa	11	859.48	378.24
West Africa*	19	304.10	609.97

(*) labour cost for industry.

Source: Laborstat and French Ministry of External Trade

All of these factors pose challenges for West Africa. Due to production methods, shift to an organic mango production would not cost a lot, except the cost of labelling (around EUR 0.25/kg of dried mango, according to the *Cercle des Sécheurs* cooperative in Ouagadougou). Supplying the increasing organic market in the EU may be a way to expand mango pulp exports and EU operators using mango pulp confirmed this trend.

Most equipment employed in agro-processing is imported from the EU. The EPA will decrease the cost of equipment by decreasing tariffs, which will decrease cost of processing. To develop export of mango pulp another possibility is to explore the fair trade market in the EU.

⁹⁷ This is confirmed by the contribution of *Association Afrique Export* (AAFEX) in the e-discussion.

⁹⁸ Contribution of AAFEX in the e-discussion.

In the case of cotton lint, access to the EU market is not an issue for countries benefiting from the EBA initiative. Non-LDC producers also benefit from free access granted to cotton and cotton products by the EU. However, the West African textile industry faces other challenges associated with labelling for products such as “organic cotton”, compliance with corporate codes of conduct to ensure corporate social responsibility, the lack of comparative advantage in a capital and technology-intensive sector and the imports of used clothing, which hamper the development of the West African textile industry.

2.8.2.2 ECOWAS exports to the EU

For sectors excluded for liberalisation, an EPA will be neutral regarding the baseline scenario. For wheat and wheat flour and beef meat, the results will be same as the full liberalisation scenario.

2.8.3 Sustainability impacts

2.8.3.1 Economic impacts

Regarding to the baseline, economic impacts of an EPA will not be significantly different except for FDI. The EU is among the major sources of inflows of FDI into West Africa although levels are still extremely low compared to other parts of the world. Increased investment in transportation and other infrastructure will help countries in the region diversify and integrate their production vertically. However, under the baseline scenario few domestic or foreign companies are willing to make the necessary investments in West Africa to develop its agro-industry. An EPA that includes strong provisions to encourage investment and protect investors could lead to an increase in the investment necessary to begin this process, improve logistics and build capacity. This could have positive economic impacts for the agro-industry sector, but also spill-over effects into other sectors of the economy, increasing value-added (and subsequently the tax base) and increasing contributions to GDP. Moreover, if farmers earn higher incomes they are able to reinvest in their production.

2.8.3.2 Social impacts

For vegetables for regional market, and poultry meat, the impacts will be the same than the baseline, because those sectors will not be liberalised. For cereals and beef, it will be the same as in the full liberalisation scenario, due to the full liberalisation applied to them.

An EPA would have a significant impact for the whole cotton sector provided the regional markets for textile products are properly managed including the effective prohibition of illegal imports and a reduction in imports of used clothing. This, coupled

with increasing FDI, could encourage the revival of a viable regional textile industry. Any further policies such as promoting West African cotton in the EU and developing partnerships between EU and West African companies would increase these positive benefits.

Should this occur, this will encourage job creation in rural areas since locations for the primary transformation of cotton is close to the production zones. Any new sources of revenue could have an impact on cotton production since the present low production cost is due partly to the employment of unpaid family labour. Increased employment opportunities in any developing transformation industry could reduce the availability of family workers for cotton production and thereby increase the cost of raw cotton, but would help alleviate poverty in these economically depressed regions.

Any expansion in agro-industry may have the effect of increasing the well-being of those employed in the sector, providing higher wage jobs, and producing a higher-value product for exports. The quality of this work will depend in part on the protections that the workers have access to health and safety protection, good wages, and other benefits.

The potential impacts of an EPA on cotton producing regions would be positive as it will offer the opportunity of additional revenue to family farm workers through significant employment opportunities where cotton lint is transformed into yarn and unbleached fabric close to the production zones.

2.8.3.3 Environmental impacts

For vegetables for the regional market and for poultry, the impacts will be the same as in the baseline, because those sectors will not be liberalised. For cereals and beef it will be the same as in the full liberalisation scenario, due to the full liberalisation of both sectors.

If an EPA results in increasing levels of primary transformation of cotton, as explored in this study, this will stabilise price offers to ginners, and by that way to producers. Having a stable price and a stable income will allow farmers to use inputs (fertilisers), which will have a positive impact on soil fertility, degraded under the baseline scenario

In the case of the cotton industry the situation and the impact on environment will be different if the option of developing a value chain through the whole process of the textile industry including clothes is chosen. In this case, it will imply the creation of additional textile plants with heavy use of chemicals and dyers in urban areas as well as

intensive use of fossil energy. This option will induce investments in water treatment which are always difficult to finance since they have no direct economic impact. Additional investments will be needed in the energy sector.

Production of fruit and vegetables for export to the EU that takes into account requirements for organic farming could result in better use of pesticides and chemicals. For production to satisfy regional markets the pressure will not be as high but cultivation techniques will still benefit from progress on export crops.

2.8.4 Matrix of impacts of EPA scenario

The following table summarizes the impact on sustainable development of the full liberalisation scenario by product.

Impacts of the EPA Scenario					
	Fruits and vegetables for export	Fruits and vegetables for the regional market	Cereals	Meat: Beef and Poultry	Cotton Lint
Regional Integration	Positive. To the extent that a regional market develops for these products.	Positive. Production is increasing for the regional market.	Positive. Production increasing for the regional market	Positive. Production is increasing for the regional market	Positive. Production is increasing for regional markets
Economic impacts	Lightly positive (liberalisation of EU market will benefit the non-LDCs only and tariffs exist only for limited mango products / gains are very low)	Neutral No impact on government revenues	Insignificant impact. Imports will likely remain at the same level as in the baseline, see impacts above Negative impact on government revenue from removal of duties on cereals.	Neutral for poultry Small negative impact for beef (due to a small increase in imports from the EU) No impact on government revenues	Positive with the revival of the textile industry with high levels of investment and value-added on raw cotton.
Social impacts	Positive if farmers and exporters are able to take advantage of opportunities. But competitiveness of West African products remains low.	Neutral	Neutral	Neutral for poultry Small negative impact for beef	Positive for employment and revenue creation in rural areas Positive for increased training and quality control Positive to stabilise prices to ginners and farmers
Environmental impacts	Positive impacts to the extent that organic farming develops (producers are already aware of increasing demand in the EU) Negative impacts to the extent that unsustainable, large-scale production ensues.	Neutral	Neutral	Neutral	Negative with additional energy needs use of fossil fuel (unless alternative energy sources can be made economically viable, such as wind or solar). Positive for soil fertility (farmers get higher incomes and increase use of fertilisers)

2.9 Conclusions

2.9.1 Economic Impacts

For all the products in this sector study, the past years have witnessed increases in production. This includes production for the regional West African market (such as onions and tomatoes), pineapple and mango for export, production and processing of local cereals, and production of poultry and cotton fibre. Notwithstanding the EPA negotiations, these trends are poised to continue.

Economic gains from these increases are relatively modest at present because of low prices and relatively small-scale production, and problems related to lack of transportation networks, limited regional integration and lack of infrastructure to process larger quantities of products. Nevertheless, existing preferential access to the EU market for West African goods, encouraged exports, but ECOWAS products have to face increasing competition on the EU market with other countries.

Existing tariffs make a significant contribution to government revenue. In addition, where tariffs levels in WA are relatively high, they continue to protect the local market (to a limited degree) from EU imports that compete with WA production. But the current protection is insufficient for tomato concentrate and poultry meat. Levels of FDI could be expected to remain at relatively low levels without an EPA although there could be gains to the extent that WA countries put in place appropriate legal structure to protect investors and improve transparency. Few domestic or foreign companies are willing to make the necessary investments in West Africa to develop its agro-industry. Initiatives to support trade facilitation are occurring at the regional level, but are advancing very slowly as are efforts to promote regulatory cooperation on specific SPS measures such as veterinary standards.

Therefore, the economic impact of the baseline scenario suggests continued modest growth, driven mainly by the regional market for specific products such as some vegetables and processed cereal but with limited opportunity for growth based on challenges associated with logistics and infrastructure and ongoing competition from EU imports of like products, such as processed tomatoes or poultry meat.

From an economic perspective, removing tariffs from both sides (full liberalisation) will tend to have negative economic impacts, at least in the short and medium terms. The most significant economic impacts would be expected from losses in government revenue for specific products (most affected are wheat and wheat flour,

poultry and processed tomatoes) and the potential for the WA market to experience increasing levels of imports of specific products that could undermine local production or lower prices and depress local markets (poultry and some vegetables, for example). Notwithstanding changes to the trade regime, contribution to GDP from these production increases could benefit from both increased regional integration (particularly for cereals and vegetables) as well as increased capacity for transportation and processing.

There may be positive impacts related to specific fruits and vegetables that are produced for the export market in WA but this would be limited in the short term to those which actually face tariff barriers entering the EU, and in this study that applies only to processed mango products. Full liberalisation could reduce the costs of inputs to West African producers by lowering tariffs on goods such as fertilisers, pesticides, seeds, machinery and packaging although tariffs are already relatively low for these goods so impacts would be slight. An EPA that also includes provisions related to increased cooperation and capacity building, FDI, trade facilitation, services and is directed in part at improving the regional market, could help WA countries overcome some of their obstacles to further growth in the medium and longer term. Achieving these gains would take time, and in the short term the potential for falling production, particularly for commercial farms and any benefits from decreasing input prices will not be sufficient to compensate for the economic losses to producers that come about as a result of declining prices.

The economic impacts on an EPA scenario that contemplates asymmetric tariff reductions, along with negotiations on a range of trade related topics appears to have a modest economic impact and can put in place a regime that could encourage growth in the medium and longer terms. Regardless of the reasons for the increase in imports, in some cases there will be injury due to the pace of liberalization and countries need time to adjust. In these cases there may be some value in building in transition periods for the application of liberalization procedures. In addition, there may be sensitive products that should not be liberalized at all. In other cases there may be value in accelerating tariff reductions for specific goods and services that can contribute to the sustainable development of the agro-processing sector in West Africa.

2.9.2 Social Impacts

Social impacts of the baseline scenario contemplate a continuation of the status quo. Increases in production (including production for export) for the products identified in this study, and modest levels of increasing regional trade can have positive, but small, impacts on employment. However, the negative impacts on employment in the agro-processing sector, which primarily affects women, will continue for products such as processed tomatoes, where WA processors cannot compete with EU imports.

Increasing production leads to increased income generation and contribute to the health of both urban and rural economies. In particular, income creation in poorer regions could limit rural-urban migration. For small farmers, fruits and vegetable are essentially cash-crops which help alleviate poverty. Demand for vegetables is expanding within the region and prices are sufficient to provide an income to farmers. Moreover, tariff levels are high enough to protect regional production against cheaper imports for potatoes and onions (in contrast to poultry). The development of SMEs can also have positive impacts on poverty in rural areas although any impacts will be small under the baseline scenario. Any developments in markets for “fair trade” products could improve this situation with respect to wages and/or working conditions, with or without and EPA, however, these markets are very small at present and exist primarily for products that are not covered in this study.

Impacts of this scenario in general will continue to be felt disproportionately by women who tend to lack access to, and control over resources, which would enable them to participate more actively in economic development and to produce and trade competitively. These issues of inequality between men and women are pronounced in Western Africa where women are the main traditional working force in rural areas. Despite this, there are benefits associated with picking mangoes and poultry production. Any benefits in agro-processing depend in part on meeting challenges associated with packaging, energy and infrastructure for processing. At household level, the main cause of food insecurity in the region is poverty, so to the extent that poverty is alleviated, food security should improve.

Under a scenario of full liberalisation, social impacts can be expected to vary among products and levels of producers, as do economic impacts. Generally, the social impact of full liberalisation will be negative for farmers and positive for consumers. In the poultry sector, impacts of the full liberalisation scenario vary depending on whether

production is carried out by SMEs or by large commercial producers. Expected drops in production in commercial establishments would tend to have a negative impact on employment, which increases vulnerability and poverty and can spill-over to affect employment with respect to producers of inputs (such as chicks and feed). Similar trends could occur for cereals. However, there would likely be positive impacts on employment in export-oriented sectors (some fruits and vegetables).

Poverty in West Africa is linked to both employment and prices. Decreasing tariffs that lead to depressed prices will have an immediate impact on the impact of producers by lowering their incomes and limiting opportunities for diversification. Any decrease in the income of farmers will affect women first. For producers (and their employees) further impoverishment would increase food insecurity. On the other hand, consumers in ECOWAS will gain from liberalisation, because they will have access to goods at a lower price (if EU exporters and ECOWAS importers pass on the benefits of tariff reduction to West African consumers). More food, at more affordable prices should have a positive impact on food security for consumers, provided they derive their income from sources outside affected agricultural products. However, because of a disproportionately negative impact on farmers, full liberalisation will probably increase poverty in rural areas and increase inequalities between rural and urban populations.

For meat and tomato concentrate, the impacts of full liberalisation scenario will be similar to those in the baseline scenario, but more pronounced. For -processed vegetables (onions and potatoes) for the regional market, negative impacts will be important. There should be limited impact, if any, and possibly positive impacts for fruits and vegetables for export.

In the EPA scenario, with asymmetric liberalisation, the social impacts for these products are expected to be relatively neutral, if not slightly positive. In other words, for vegetables for regional market and poultry impacts will be the same than the baseline. For cereals and beef meat, it will be the same as the full liberalisation scenario.

Any expansion in agro-industry may have the effect of increasing the well-being of those employed in the sector, providing higher wage jobs, and producing a higher-value product for exports. The quality of this work will depend in part on the protections that the workers have access to health and safety protection, good wages, and other benefits.

An EPA would have a significant impact for the whole cotton sector provided the regional markets for textile products are properly managed including effecting

prevention from illegal imports and a reduction in the import of worn clothing. This would encourage the revival of a viable regional textile industry. Any further policies such as promoting West African cotton in the EU and developing partnerships between EU and West African companies would increase these positive benefits. Should this occur, this will encourage job creation in rural areas since locations for the primary transformation of cotton is close to the production zones.

2.9.3 Environmental Impacts

Under the baseline scenario, increasing production of a number of these products in West Africa are already having environmental impacts which would continue and could be exacerbated as production levels increase, albeit slowly. For land, in most cases production gains are coming about as a result of placing increasing amounts of land under cultivation rather than through the use of intensive technologies or varieties that can improve yields. This is the case for fruits and vegetables. In some cases this implies the growth of large plantations. In other cases it means that increasing numbers of producers are entering production. Large-scale production of horticulture tends to employ relatively high levels of agro-chemicals and require considerable amounts of water. Moreover, intensive production often relies on practices that are not sustainable, such as no crop rotation. These practices can lead to degradation of the land with particular impacts on soil fertility. However, these production units are the most profitable and would be in the best position to benefit from improvements to research and airfreight. The same is true for cereals such as millet and sorghum, where production is expanding onto fragile lands, such as those in the Sahel that are already under severe risk of desertification. However, for these food crops, low levels or no agro-chemical inputs are employed. For other products (such as potatoes or mangoes) more sustainable practices are already employed. And where production occurs primarily at the household level (such as for poultry) existing environmental impacts and impacts of modest levels of growth are relatively insignificant. At present, West African producers do not take advantage fully of possibilities for “organic” production, in part because of difficulties in obtaining certification and, for export, the relatively heavy reliance on agro-chemical inputs.

Impacts of full liberalisation on land are likely to be limited because increasing production is not likely to result in additional widespread increases in cultivated land for the products in this study. However, negative economic impacts on commercial farmers

and declining producer income in some areas could impact the ability of producers to purchase fertilisers necessary to augment their soil which could lead to declining soil fertility over time and the eventual abandonment of land. Where this land is fragile or marginal, it may be able to revert back to its natural state over time which could have positive impacts on biodiversity.

In the EPA scenario, for vegetables for regional market, and poultry meat, the impacts will be the same than the baseline. For cereals and beef meat, it will be the same than the full liberalisation scenario. If an EPA results in increasing levels of primary transformation of cotton, as explored in this study, this will stabilise price offers to ginners, and by that way to producers. Having a stable price and a stable income will allow farmers to use inputs (fertilisers), which will have a positive impact on soil fertility, degraded under the baseline scenario. For cotton, the situation and the impact on environment will be different if the option of developing a value chain through the whole process of the textile industry including clothes is chosen. In this case, it will imply the creation of additional textile plants with heavy use of chemicals and dyes in urban areas as well as intensive use of fossil energy. This option will induce investments in water treatment which are always difficult to finance since they have no direct economic impact. Additional investments will be needed in the energy sector. An EPA that encourages pursuit of organic markets through targeted capacity building could have positive environmental impacts for WA agriculture.

Priorities

A first priority in the region in order to promote economic, social and environmental benefits from agriculture and agro-processing is the further development of regional integration, which includes establishing a viable customs union and helping West African countries develop internal markets and address supply side constraints to increasing trade and production and take full advantage of the trade and investment opportunities that might come about as a result of an EPA. Emphasis should be placed on improving trade flows among the countries of West Africa including regional transportation networks. Regulatory cooperation in key policy areas and the development of sectoral strategies would also contribute to and improve climate for foreign and local investment and increase the competitiveness of the West African industry for food products and agriculture.

With respect to market access, there are specific products that will continue to require protection in the short and medium terms, at least and others where safeguards should be available to protect local markets from periodic import surges that can harm domestic production. Asymmetric tariff reductions should focus on these products and in particular those where existing gains could be most rapidly eroded as a result of full liberalisation, as well as those where the largest losses in government revenue might come about as a result of complete liberalisation. In this study, these include poultry and some vegetables for the regional market and processed products such as prepared tomatoes. Taken together, these products could remain protected, and represent less than 20% of total trade between the WA and the EU. Moreover, additional protection for prepared tomatoes and poultry meat could be helpful to optimise the potential gains of an EPA. This could take the form of quantitative restrictions or an increase in the CET for those products.

In contrast to the existing baseline scenario and very low levels of investment in West Africa, agro-industry in the region could be enhanced by an EPA that addresses issues of FDI and encourages the development of the service sector to support investment and could help countries in the WA region improve logistics and build capacity to diversify and integrate their production vertically. FDI is crucial for sustainable development in large part because the resources do not exist in West Africa to make the investments necessary to improve competitiveness and to ensure that this is done in a sustainable way. Fundamental to this is the necessity to provide potential foreign investors with a stable, predictable and transparent climate for investment that balances the rights and obligations of the investor and the member states, that is non-discriminatory, and that preserves the ability of states to regulate in the public interest. This could have positive spill-over effects into other sectors of the economy, increasing value-added (and subsequently the tax base) and increasing contributions to GDP. Moreover, if farmers earn higher incomes they are able to reinvest in their production.

Increased investment is closely linked to trade facilitation, and both are necessary components of improving the prospects for developing agro-industry in West Africa. Trade facilitation, which is progressing slowly under the baseline scenario, could alleviate some constraints to increasing levels of trade between the EU and West Africa, regional integration and South-South trade. This would include addressing, *inter alia*, inefficient trade support services, lack of trade-related financing and underdeveloped customs, transportation, business information and human resource

development. Improved transportation networks could reduce the high costs associated with transporting goods in the region, particularly for land-locked countries and improve the speed and reliability of delivering goods.

For meat and processed food products, a central question is how export competitiveness for processed agricultural products from West Africa can be increased while ensuring respect for SPS and other standards. Failure to effectively address the challenges posed by EU SPS standards in the EPA could see the value of EU trade preferences in the food products sector progressively undermined, as producers find themselves prohibited from supplying the EU market on SPS or food safety or other grounds. While this is not a priority issue for some fresh fruits and vegetables already being exported to the EU, it could become more problematic for a nascent agro-processing industry. Moreover, TBTs are increasingly posing challenges for West African producers with respect to labelling and packaging standards.

A first priority for policy makers generally to promote sustainability is to encourage investment for development in specific areas such as infrastructure and transportation and ensure that appropriate laws and regulations exist in host countries to promote investment that is environmentally and socially sustainable. This includes regulations and policies to support sustainable production and processing. Countries might consider employing economic instruments (positive and negative incentives) to the extent that they are viable in West Africa. These could usefully be directed towards, *inter alia*, generating a sustained market for environmental goods and services, encouraging good governance and CSR, encouraging the pursuit of “organic” certifications, and promoting environmentally friendly modes of transport and renewable sources of energy. To take advantage of opportunities to engage in even rudimentary processing of agricultural products, significant investment in equipment and infrastructure is necessary. To the greatest extent possible, these initiatives should be pursued at the regional level to promote efficiency and policy coherence and foster improved regional integration.

A second priority should be a focus on improving information and training. There should be a focus on improving training and extension services for farmers and disseminating best practices related to sustainable technologies and farming practices. In particular this should target issues related to desertification and include effective crop rotation (to combat soil fertility), no-till technologies (to combat erosion) and efficient irrigation technologies. It should also include training to improve the capacity of

farmers to pursue organic markets in the EU for specific products (including improvements to certification).

A third priority is to provide technical assistance, re-training and education to assist the workforce (particularly in the poorest and least diversified countries in the West Africa) to adapt to changing prices and increased competition and make a transition into non-traditional industries. Focus should be placed on developing programmes to strengthen technological capacity and quality with a view to training local staff and advising them on more sophisticated stages of production and technology upgrading with respect to agro-processing. This can help compensate for any potential losses in traditional commercial farming. It should include capacity building to improve levels of education and training for women, as well as their access to technology and finance. It should include dissemination of information on voluntary standards such as CSR or ISO Management systems and on compliance with “organic” and existing “fair trade” regimes for relevant products.

A fifth priority is to focus on capacity building with the private sector (including agricultural producers) and creating effective public-private and private-private partnerships to promote sustainable development.

A sixth priority is to improve the gathering of information related to trade and sustainability. The consultations for this SIA made it clear that a large number of stakeholders lack basic information on the EPA. Capacity building for civil society (including industry) starts with improving understanding and information. Civil society actors equipped with the appropriate information, knowledge and skill could make effective contributions to ECOWAS-EU cooperation under the EPA to support sustainability, in the short, medium and long terms. This should also address the large data gaps that exist in the West African region to facilitate further efforts to monitor trade and economic, environmental and social sustainability. To the greatest extent possible, these initiatives should be pursued at the regional level to promote efficiency and policy coherence and foster improved regional integration.

2.10 Policy Recommendations

In each of the following section policies are presented in descending order of importance.

2.10.1 Policies Related to Regional Integration

- *Encourage ongoing efforts to achieve a CET.* This will lower trade barriers in some countries, raise them in others, but ultimately provide a stable, unified trading environment. In some cases (such as for poultry or processed tomatoes) the CET might be raised.
- *Continue to promote trade facilitation at the regional level.* This could begin by encouraging West African countries, through regional institutions, to pursue regulatory cooperation with respect to customs related procedures and documentation requirements. It also includes the removal of informal barriers to trade, streamlined procedures, and improvements in transit transport. Parties should build on initiatives that already exist in the region.
- *Develop regional strategies and cooperative policies in key sectors.* This could include a common **agricultural** policy in the region, a regional policy for **textiles** as well as a regional strategy for **energy** (covering production and the development of renewable energy sources) and **textiles**. Starting with these key sectors could be a first step towards putting in place a general **industrial policy** at the regional level. Where there are relevant initiatives in the region (such as ECOWAP) these policies should build on those.
- *Pursue cooperative regulatory dialogue on issues of common interest that can promote sustainability.* These include, *inter alia*:
 - *regional cooperation on transboundary environmental issues.* This should build on the ongoing process in WAEMU for management of transboundary movement of environmental goods but extend to cover a broader range of environmental issues such as common waterways. Other issues that should be managed in this way are policies related to pasturelands and grazing. Cattle often graze in areas that straddle boundaries and breeders and farmers are often in competition for land as are crops and livestock. The use of fragile land to avoid overgrazing is best addressed at a regional level.

- ***a regional approach to standards, including SPS measures and food safety issues.*** Work in this area should take stock of and build on initiatives that already exist in the region such as the ECOWAS initiative for regional accreditation of veterinarians, and ongoing work with the FAO. The development of standards should, *inter alia*, contribute to improving production methods and preventing the export (or domestic consumption) of unsafe products and encourage the development of CSR and adherence to international management standards such as ISO 14001.
- ***A regional approach to labelling and certification.*** This should include support for the establishment of labelling organisation at the ECOWAS level, in partnership with EU labelling organisations. Priority consideration could be given to developing a label for West African cotton to indicate quality and facilitate marketing.

2.10.2 Trade Policy: Recommendations for Negotiators

There are a number of trade measures that should be included in an EPA to encourage sustainability in the development of the agro-processing sector in West Africa.

2.10.2.1 Market Access

Issues of market access are the most important priority. This includes not only ensuring that existing preferences remain in place in the trading relationship between the EU and the West African ACP countries. It also includes the following recommendations that flow from this study.

- ***Inclusion of “sensitive” products.*** The results of this SIA suggest that selected specific products should be included as “sensitive” in the EPA. These products include potatoes, onions, poultry and prepared tomatoes. Additional protection might also be considered for prepared tomatoes and poultry. This could take the form of quantitative restrictions or an increase in the CET for these products.
- ***Removal by the EU of tariff barriers that remain for processed products from the ACP countries.*** The removal or remaining barriers on processed goods entering the EU would provide further incentives in ACP countries to develop diversified and value-added exports, provided that processing capacity is developed in the region.

This recommendation applies specifically to mango products (mango juice, preserved mango) for non-LDCs in West Africa.

- ***Accelerated tariff reduction.*** Provisions should be included in the EPA to allow for accelerated tariff reduction for specific goods and services that support the agro-processing sector in West Africa. This could include machinery for agro-industry and packaging or vital inputs into agricultural production, such as fertilisers.
- ***Safeguards.*** The availability of appropriate safeguard measures could be valuable in regard to agricultural and value-added food products. Safeguards should be flexible encourage to help guard against both import surges (such as have occurred for poultry) and sustained growth in imports of low-priced competing products from the EU (such as used clothing). Safeguards available to the West African countries, should also be simple to apply, allow for either additional duties and/or quantitative restrictions, flexible in terms of what they target (to address import surges and/or price fluctuations), imposed over an extended time frame, and pre-emptive. Safeguards should be based on existing provisions in the Cotonou Agreement (Annex V, Article 8). The application of safeguard measures should be extended to take into account injury, disturbances and difficulties related to ***sustainability*** such as food security and poverty. Establishing “monitoring and surveillance” arrangements in sensitive products could prevent severe market disruptions from arising under the EPA. Finally any safeguard provisions in the EPA should be accompanied by technical capacity building cooperation for trade remedy authorities in West African countries.

2.10.2.2 Foreign direct investment

A second area of priority is the need to promote a stable and transparent climate for investment, negotiators should consider including provisions in the EPAs to provide such protection to investors while respecting environmental protection and conservation and safeguarding public welfare. These provisions could include:

- An undertaking that any rules intended to protect investors should not affect a host country’s right to regulate for environmental and social protection or be construed to prevent a Party from adopting, maintaining or enforcing any measure that it considers appropriate to ensure that investment activity in its territory is undertaken in a manner sensitive to environmental and social concerns.

- An undertaking that Parties will not encourage investment by relaxing domestic health, safety or environmental measures. Accordingly, a Party should not waive or otherwise derogate from, or offer to waive or otherwise derogate from, such measures as an encouragement for the establishment, acquisition, expansion or retention in its territory of an investment of an investor.
- Foreign investors should be required to put in place environmental management for post-establishment that promotes good governance including compliance with international environmental and social standards, corporate accountability, and transparency.
- A dispute settlement mechanism that is consistent with the overall goal of increasing transparency. Proceedings should be open to the public and there should be procedures for *amicus curiae* to make submissions to arbitral tribunals. This could ensure input on important sustainability issues that might not otherwise be adequately considered by a tribunal.
- An undertaking that companies are required to behave in the same manner wherever they operate even where domestic regulations may not exist. In such cases voluntary practices such as CSR should be employed to fill the gaps.
- A requirement to conduct impact assessments of prospective investments. Foreign investors should be required to undertake an objective, independent environmental and social impact assessment of proposed investments.

2.10.2.3 Trade Facilitation

The third area of priority is to address challenges associated with trade facilitation. These can be best addressed through cooperative regulatory dialogue that takes place in conjunction with improved institutional arrangements and development cooperation. To accomplish this, the EU and the West African countries could establish an ongoing ***Working Group on Cooperation and Capacity Building for Trade Facilitation***. This working group would facilitate ongoing regulatory dialogue and cooperation on trade facilitation, based on the NAFTA model. It could include government representatives with responsibility for trade facilitation. The working group should develop an appropriate consultative mechanism to ensure appropriate stakeholders participation, particularly when important issues related to development or

environmental and social sustainability are at stake. In particular, the working group could develop a work program that includes the following main elements:

- Simplify customs rules and procedures encouraging harmonization of procedures, greater transparency, elimination or minimization of avoidable administrative and procedural delays and costs incurred in international goods and services transactions and streamlining procedures for business visas.
- Improve transport transit by providing technical assistance and capacity building activities in the area of transport and trade facilitation including on the use of automated systems to improve international trade and transport management. Special attention should be paid to transit arrangements for the land-locked countries.
- Support existing legal instruments and institutions affecting international transport, trade facilitation and multimodal transport.
- Assess capacity and encourage information technology. Countries should assess information technologies for facilitating transit transport operations and steps should be taken to expand the ability of West African countries to participate in international trade (with the EU, globally, regionally and South-South) through the increased use of information technologies. Any rules should be appropriate for SMEs. Countries should also monitor developments and disseminate information on security measures affecting international trade and transport.
- Improve transparency. Emphasis should be on exchanging information on best practices and other relevant information within West Africa and with the EU.

2.10.2.4 SPS and TBT measures

Fourth and fifth priorities are challenges associated with TBT and SPS measures, respectively. These are also best addressed through cooperative regulatory dialogue. As above, this could occur in an ongoing ***Working Group on Cooperation and Capacity Building on SPS and TBT Measures***. This working group would facilitate ongoing regulatory dialogue and cooperation on SPS and TBT measures, based on the NAFTA model. The working group should develop an appropriate consultative mechanism to ensure appropriate stakeholders participation, particularly when important issues related to development or environmental and social sustainability are at stake. In particular, the working group could develop a work program that includes the following main elements:

- Identify SPS and TBT measures that are most prohibitive for West African producers.
- Monitor ongoing development on SPS standards and TBT measures in the EU.
- For TBT it could exchange information on labelling and packaging requirements.
- Cooperate to ensure that new standards are designed and implemented in ways which minimise obstacles to exports from ACP countries.
- Facilitate the development of food safety and improvement of SPS conditions in West Africa, share information, pursue technical cooperation in the development, application and enforcement of SPS measures, conduct consultations on specific matters related to SPS measures and food safety issues and develop and implement a work programme based on the above recommendations.
- This could begin with an initial focus on “organic” certifications in the short-term in order to promote sustainable agricultural practices in increase value-added to fresh fruits and vegetables and other products from West Africa.

2.10.3 Policies to promote sustainability: Recommendations for ACP and EU policy-makers

These recommendations to policy makers in the EU and the West African ACP countries are intended to help West African agro-processing become more competitive and sustainable in the medium and long-term. They are presented in descending order of priority.

- ***Development of specific infrastructure to support agro-processing and trade.*** This includes transportation infrastructure (road and rail) as well as facilities associated with ports where products are exported. It also includes investment in infrastructure to support the cold chain (particularly for meat and fruits and vegetables) and storage capacity (warehouse facilities), providing support to local processing units including slaughterhouses and facilities for processing cereals. Investment in physical infrastructure for the reliable supply of electricity will also be important for the development of agro-processing.
- ***Put in place domestic regulations that support sustainability.*** It is also important to ensure that appropriate laws and regulations exist in host countries to mandate sustainable practices and ensure that adequate legislation is in place to support high

levels of environmental protection. This could include a policy to mandate social and environmental impact assessments prior to the development or upgrading of major infrastructure including production facilities, which should include a strong component of public participation. Finally countries should diversify their sources of government revenue and establish realistic, effective and enforceable taxation systems to mitigate any negative impacts of declining tariffs.

- ***Capacity building, training and information to encourage sustainable agricultural production*** (to support diversification and organic farming). Countries should put in place strategies for diversification in response to increasing competition from imports in some sectors and for some products. Farmers should be encouraged to adopt more sustainable cultivation techniques including organic techniques and requirements for certification.
- ***Education and training***. Directed information and technical assistance can assist the traditional workforce and industry adapt to changing economic situations and make transitions into non-traditional industries. Focus should be placed on developing programmes to strengthen technological capacity with respect to agro-processing. It should focus on building capacity for women, as well as their access to financing. Moreover, establishing an information network for producers to contribute to sharing information and cooperating to increase competitiveness. This could include information on voluntary standards, CSR or ISO managements systems, as well as information on compliance with “organic” and “fair trade” requirements as they develop.
- ***Capacity building for the private sector including public-private and private-private partnerships***. This includes capacity building to meet requirements put in place by the private sector in the EU such as packaging and just-in-time delivery. In particular, packaging “ready to eat” products requires a high level of technical expertise to meet EU standards. Private partnerships including EU importers and ECOWAS exporters have to be encouraged. Training sessions should be organised through professional and producer associations with support, as necessary from EU expertise. Support could include trade missions to Europe for ACP traders and farmers as well as *in situ* visits by potential clients and partners from the EU. Partnerships could also include contractual relationships between producers and agro-industry, partnerships between West African cotton producers and EUROMED

to improve trade opportunities, marketing and promotion. Such partnerships could be encouraged to undertake research and development to improve production methods in agro-industry with an emphasis on sustainability.

- ***Improving Information. Establish an Information Clearing House*** for the effective dissemination of information about the EPA negotiations and other relevant documentation. The dissemination of information is vital for the informed participation of relevant stakeholders in the discussions surrounding the EPA negotiations. An Information Clearing House should be easily accessible on the Internet and comprehensive including civil society contributions, meeting summaries and other relevant documents.
- ***Establish permanent Data Banks for Sustainability in the West African regions.*** Working with national statistics offices, this publicly accessible data bank, established at the regional level should include an institutional component that could be tasked with improving the gathering, analysis and disseminating information related to sustainability. As such, it could support regional efforts to develop complementary environmental and social policies and to promote cooperation on transboundary environmental issues. Moreover, such an institution could cooperate with national institutions to collect data relevant for the medium and long- term monitoring of the impacts of EPAs and other trade agreements on sustainability in the region. This includes data related to economic, environmental and social variables, much of which was unavailable for this SIA and which minimised the role of effective modelling and analysis based on established indicators. Such institutions could also be tasked with identifying major data gaps related to indicators for assessing sustainability impacts and act as a clearinghouse for relevant data. Indicators related to the findings of this SIA and those that reflect the UN's Millennium Development Goals should be prioritised. This initiative should be pursued in conjunction with cooperation to improve the capacity of national statistics offices in West Africa.