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**Economic Partnership Agreements between the
EU and African Countries:
Potential Development Implications for Ghana**

**Report by
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CONTENTS

EXECUTIVE SUMMARY

GHANA AND THE EPA NEGOTIATIONS

1. GHANA'S DEVELOPMENT CONTEXT

- Ghana's Level of Development
- The Structure of Ghana's Economy
- The Structure of Ghana's Trade
- Ghana's Leading Trade Partners

2. ACCESS TO THE EU MARKET – EPAS AND ALTERNATIVES

- Ghana's Trade with the EU
- Ghana's Exports and EPA Market Access
- Ghana's EPA-Alternatives

3. THE IMPACT OF RECIPROCITY AND TRADE LIBERALIZATION

- WTO Rules and the Level of Reciprocity
- Ghana's Import Context
- The Impact of Trade Liberalization on Development & Poverty Reduction
- Ghana's Productive Sectors
- Ghana's Agriculture Sector
- Services Liberalisation
- The Impact on Government Revenues and Public Expenditure

4. AGREEING TO BINDING NEW RULES – INVESTMENT AND OTHER SINGAPORE ISSUES

- Investment Agreements do not increase FDI flows
- Investor-friendly regimes already in place in Ghana
- Limiting the space for development-friendly policies

5. THE IMPACT ON AFRICAN REGIONAL INTEGRATION

- Ghana and West African Regional Integration
- Regional Integration Supported or Undermined?

6. DEVELOPMENT ASSISTANCE – AID FOR TRADE

- EPA Implementation and Adjustment Costs
- EU Development Assistance
- The Possibility of Additional Funding?
- Delivering EPA Adjustment Support – Timely and Effective

BIBLIOGRAPHY

ANNEX I. GHANA'S EXPORTS TO THE EU (2005)

ANNEX II. RULES OF ORIGIN

ANNEX III. GHANA'S COMMITMENTS UNDER GATS

ILLUSTRATIONS

Tables

- Table 1. Ghana's Top Exports and Imports, World (2005)
- Table 2. Ghana's Trade with the EU (2005)
- Table 3. Ghana's Top Exports to the EU (2005) - Comparison between MFN Standard GSP, GSP-plus and Cotonou
- Table 4. Ghana's Top Imports from the EU (2005)
- Table 5. A Summary of Ghana's Sector-Specific commitments under GATS

Diagrams

- Diagram 1. Ghana's Export Markets (2002)
- Diagram 2. Ghanaian Exports to the EU (2005)
- Diagram 3. Ghanaian Exports – GSP compared to Cotonou

Boxes

- Box 1. Key Development Indicators

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EXECUTIVE SUMMARY

Trade has the potential to act as a powerful mechanism for development and economic growth. In a globalized world, it holds the promise to lift millions out of poverty. Yet, the structure and content of current trade negotiations between the European Union (EU) and Africa, Caribbean and Pacific (ACP) countries, have raised concerns about the impact possible Economic Partnership Agreements will have on development.

The Economic Partnership Agreements (EPAs) are being negotiated between the EU and 75 ACP countries, including Ghana. EPAs are essentially free trade agreements, which will overhaul the entire way in which African countries' trade relations are structured with their largest trading partner, the EU. The new arrangement will succeed the trade provisions of the Cotonou Agreement and is set to come into force in January 2008. While Ghana has sustained improved rates of growth and human development, it remains a low-income country with significant numbers of people living in poverty – and thus requires the policy space to tailor its development policies to meet its specific challenges and priorities.

Assessing the impact of an EPA on Ghana's economy is not straightforward given that what will go into the agreement is still under negotiation. In addition, what the agreement must include for it to be compatible with World Trade Organization (WTO) rules remains ambiguous due to the stalling of the Doha Round, which was slated to clarify the special and differential treatment developing countries are entitled to in concluding regional trade agreements. Notwithstanding this, the proposed EPA framework that the EU is currently pushing for in negotiations has raised serious concerns about the impact an EPA will have on Ghana's efforts towards poverty eradication, regional integration and economic development.

This report concludes that:

- An EPA will not meaningfully improve access to the EU market for Ghana's exporters beyond what they already enjoy. If the EU liberalises 100 per cent of its market, this would be worth less than 1 per cent of the value of Ghana's current exports to the EU. Even these small gains may not be realised if the EU maintains its tariffs on certain 'sensitive products', as it has done in previous Free Trade Agreements (FTAs) with developing countries. Under an EPA Ghana might potentially benefit from more favourable rules of origin for its goods and greater market access for its services exports. However, the prospect of the EU providing concessions on the latter remains remote.
- Under an EPA Ghana will have to reciprocate by liberalizing a substantial part of its trade – as envisaged by the EU, Ghana would have to lower and eliminate tariffs on 80 per cent of its imports from the EU over a period of 12 years. If this is the case, Ghanaians might benefit from access to cheaper (imported) goods, but this potential gain must also be seen in the context of the impact on production and Ghana's broader long-term national development. Eliminating tariffs will expose domestic producers to direct competition with EU firms. Many of Ghana's producers will no longer remain profitable as their ability to compete with EU imports is highly limited by severe supply-side constraints. In addition, binding the level of tariff liberalization will significantly reduce Ghana's ability to use tariff policy in the future as a means of encouraging production and nurturing local industries. If forced to liberalize, domestic agricultural producers would also be adversely affected by cheaper and (often heavily subsidised) EU agricultural exports. Given its contribution to rural development, livelihood and food security in Ghana, agriculture ought to be considered a sensitive sector in the negotiations.
- Unless Ghana is guaranteed greater flexibility in defining products that can be excluded from liberalization, is given a longer, more gradual transition period to implement this, and

is able to put in place certain safeguard mechanisms, reciprocal liberalization under an EPA risks harming the country's industrial development. This could have significant negative impacts on employment opportunities in manufacturing sectors. Generating more and better jobs is a major part of Ghana's development priorities.

- There are likely to be significant losses in government revenue if Ghana is forced to liberalise 80% of its trade with the EU under an EPA. If the Ghanaian government is unable to offset these financial losses, this could lead to possible cuts in public expenditure in important areas, such as health and education.
- The EU has consistently argued that an investment agreement would help attract much-needed FDI into Africa. However, there is little evidence to suggest that investment agreements are likely to promote additional investment flows over and above what a country would otherwise receive. If new binding provisions relating to investment, competition and government procurement are adopted under an EPA, this could also risk further limiting Ghana's ability to regulate key sectors for development reasons. Instead of constraining Ghana's policy space, emphasis should be placed on building up the government's capacity and regulatory framework in areas of competition policy and government procurement.
- An EPA has the potential to streamline existing West African regional initiatives and to enhance the credibility of regional integration. However, if the current weaknesses stemming from conflicting and overlapping regional trade agendas are not sufficiently addressed before West African countries enter into an EPA, then the conclusion of a free trade agreement with the EU risks further undermining the development of regional markets. This is significant given that regional trade has the potential to have as great an impact in generating growth and employment as markets in the EU, US or other OECD countries.
- Although the EU has pledged to support the adjustment costs Ghana would face under an EPA, no additional EPA development assistance has been provided for under the EU's main financial arm for delivering aid to ACP countries – the European Development Fund (EDF). Under the EDF's funding programme for the period 2008-2013 (which will be a crucial period for adjustment if an EPA is signed), African countries will receive no extra resources for EPA support. This, coupled with the slow disbursement rates and operational weaknesses of the EDF funding mechanism, has raised considerable doubts about whether the EU's promise of aid for trade will be meaningfully delivered in the context of EPAs.
- Without timely, effective and quick-disbursing development assistance for the adjustment costs of liberalization (including fiscal reform, the restructuring of domestic production, and the creation of employment safety nets), an EPA cannot hope to provide a supportive framework for development in Ghana. Trade alone will not promote development unless sufficient investments are also made to strengthen the competitiveness and supply-side capacity of African countries.
- If the EPAs negotiations fail to respond to the development priorities of Ghana, alternative arrangements must be sought to secure continued market access to the EU market. If Ghana were to take the necessary steps to become eligible for GSP-plus, 98% of its current exports to the EU would face the same applied tariff level as they do under Cotonou. Nevertheless, if the GSP-plus scheme is to provide equivalent market access efforts must first be made to extend the product coverage of the scheme, increase its binding nature, liberalize its rules of origin regime, and ensure due process in the application of its standards relating to governance and sustainable development.

GHANA AND THE EPA NEGOTIATIONS

75 African Caribbean and Pacific (ACP) countries, including Ghana, are engaged in negotiations with the EU over possible Economic Partnership Agreements (EPAs). The new arrangements, which will succeed the trade provisions of the Cotonou Agreement, are expected to enter into force on 1 January 2008. EPAs are essentially free trade agreements (FTA), which will overhaul the entire way in which Ghana's trade relations are structured. Unlike previous EU-ACP agreements that provided unilateral preferential access to the EU market for Ghanaian exporters, EPAs require that Ghana reciprocate by liberalising tariffs on EU goods entering its market, as well as agreeing to additional binding rules in new areas such as investment, competition, government procurement and services. This move to reciprocal liberalization will entail fundamental changes to all African economies and will have important implications for Africa's development.

The stated aim of EU-ACP trade relations is to 'foster the smooth and gradual integration of the ACP states into the world economy...promoting their sustainable development and contributing to poverty eradication'.¹ However, the structure and content of the EPA negotiations have raised concerns about the impact these agreements will have on Ghana and its efforts towards poverty eradication, regional integration and economic growth. It is therefore crucial that greater attention is paid to their development implications.

The Structure of Ghana's EPA with the EU

The precise structure of EPAs is still under negotiation between ACP and EU states. However, *as envisaged by the EU*, EPAs would include:

- ❖ The establishment of free trade areas with ACP regions.
- ❖ Liberalization of 90% of the *total value of trade between the EU and the ACP*, whereby the EU liberalizes 100% of its trade and the ACP liberalizes 80% of its trade. This would leave ACP countries, including Ghana, able to protect only 20% of the total value of their trade with the EU through the use of an exclusion list.
- ❖ The implementation of liberalization in Ghana over a period of 10-12 years.
- ❖ Binding rules on investment, government procurement and competition policy.

As established under the Cotonou Agreement, EPA negotiations began in 2002 and are to be negotiated during a five-year preparatory period, concluding on the 31 December 2007. In the negotiations, ACP countries are split into six regional groups: West Africa; Eastern and Southern Africa (ESA); Southern African Development Community (SADC); Central Africa; the Caribbean (CARIFORUM); and the Pacific. Each of these groups is negotiating a separate EPA with the EU. Ghana is negotiating as part of the West African Group of countries, which includes Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Sierra Leone, Senegal and Togo.² In total, these 16 West African countries are inhabited by 242 million people and form a diverse and acutely poor regional economic grouping. West Africa's gross domestic product (GDP) per capita amounted to little over US\$326 in 2004.³ Apart from Ghana, Nigeria and Cote d'Ivoire, all of the countries in the group are categorized as 'least developed' (LDC).

¹ Article 34.1 of the 'Cotonou Agreement' (2000) Partnership Agreement Between the Members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its member states, of the other part, signed in Cotonou, Benin, 23 June 2000.

² Cape Verde was originally part of the grouping, but recently opted out of the West African-EU EPA configuration in September 2006

³ ECDPM (2006a) Overview of the Regional EPA Negotiations: West Africa-EU Economic Partnership Agreement, InBrief, No. 14B – November 2006, p. 1

1. GHANA'S DEVELOPMENT CONTEXT

Ghana's Level of Development

Ghana is a low-income country with a per capita income of US\$434 (2005) and a population of about 22 million.⁴ The country is ranked 136th out of 177 countries in the 2006 United Nations Human Development Index. About 45% of Ghana's population has been estimated to live below the poverty line of 1 US\$/day over the period 1983-2000. Nearly 80% of the population lives below \$2 a day.⁵

The Structure of Ghana's Economy

Agriculture remains the main livelihood for the majority of Ghanaians, accounting for over 35% of GDP.⁶ The sector employs over 60% of the work force, mainly small landholders. The key activities are food cropping, cocoa production, forestry and logging and fishing. The main exports are cocoa, timber and pineapples.

Ghana's industrial sector accounts for 22% of GDP and consists of mining and quarrying, manufacturing, aluminium smelting and food processing. The services sector, which mainly consists of tourism, infrastructure, financial and social and personal services, is the largest sector in the economy, contributing 43% of GDP.⁷ Between 1991 and 2002, Ghana's economy grew at an average of 4.2% per annum.⁸

The Structure of Ghana's Trade

The structure and composition of Ghana's exports is still dominated by the production of primary resources, which make up 85% of total merchandise exports.⁹ Cocoa and cocoa preparations are Ghana's leading export, contributing 42% to the total export base. Other important exports include timber, gold, fish, fruits and vegetables.

Non-food industrial supplies dominate Ghana's imports, including plant machinery, vehicles, raw materials and petroleum products (see Table 1. below). Trade in services has been growing at a much faster pace than exports of goods, and accounted for about 20% of the country's total exports in 2000.¹⁰

Box 1. Key Development Indicators

- Life expectancy at birth is 57 years in Ghana, compared to 78 years in America and the UK.
- Less than two-thirds of the adult population is literate.
- The poorest 20% of the population share in less than 6% of the total national income, whereas the richest 10% of the population hold nearly 30% of the total national income.
- A quarter of the country's population does not have sustainable access to an improved water source.
- Net primary school enrollment is 76%, while about 36% of children are enrolled in secondary school.
- Debt service in 2004 was 2.7% of GDP. This is more than double what Ghana spent on public health (1.4% of GDP)

Source: UNDP (2006) Human Development Report

⁴ Republic of Ghana (2005) Growth and Poverty Reduction Strategy (GPRS) Final Draft Report, 2006-2009.

⁵ UNDP (2006) Human Development Report, Statistics. UNDP, New York.

⁶ Data for 2002, from Eurostat Statistical Regime, September 2006 available at http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122461.pdf

⁷ Data for 2005 from PriceWaterhouseCoopers (2006) 2006 Budget Highlights, Ghana. Available at <http://www.pwc.com/extweb/pwcpublishations.nsf>

⁸ UNDP (2006) Human Development Report, Statistics. UNDP, New York.

⁹ Ibid, data for 2003

¹⁰ TAC (2004) 'EU market access opportunities for Ghana and position for EPA negotiations', Final Report, Ref: Capacity Building in Support of preparation of Economic Partnership Agreement – 8 ACP TPS 110/ Project no.43, p. 28

Table 1. Ghana's Top Exports and Imports, World (2005)

EXPORT Products	Share of Total Exports	IMPORT Products	Share of Total Imports
Cocoa and cocoa preparations	42%	Machinery (processing machines, construction machinery)	14%
Wood and articles of wood, wood charcoal	14%	Electrical equipment	9%
Mineral fuels, oils, distillation products	11%	Vehicles (other than railway)	9%
Ores, slag and ash	9%	Articles of iron or steel	6%
Edible fruit, nuts, peel of citrus fruit, melons	5%	Cereals	5%
Meat, fish and seafood food preparations	5%	Plastics and articles thereof	4%
Pearls, precious stones, metals, coins	2%	Sugars and sugar confectionery	4%
Edible vegetables, certain roots and tubers	2%	Cotton	3%

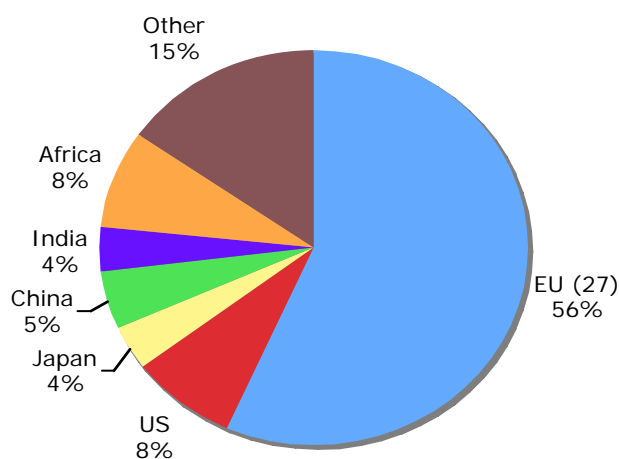
Source: Data from TradeMap (2006)

Ghana's Leading Trade Partners

The EU is by far Ghana's largest export market, accounting for more than half of all exports. Ghana's other major trading partners include the USA and China, which account for nearly 8% and 5% of total exports, respectively. The share of Ghana's exports to African countries stands at 8%. Both India and Japan each account for 4% of Ghana's exports. These developed and developing country markets absorb the bulk of Ghanaian exports.

Source: Data TradeMap (2006)

Diagram 1. Ghana's Export Markets (2005)



2. ACCESS TO THE EU MARKET – EPAS AND ALTERNATIVES

Preferential access to the EU for African countries granted under the Cotonou Agreement will expire in December 2007 with the end of the WTO Waiver. To replace the trade elements of the Cotonou Agreement, the EU has argued that African countries should negotiate an EPA in order to maintain their current preferences and to gain further market access. However, as the analysis below shows, an EPA will not substantially improve the market access Ghana currently enjoys into the EU. In addition, the fear of losing current preferences should not be seen as an incentive to conclude an EPA because the European Commission (EC) is mandated to provide Cotonou-equivalent markets access for non-LDC ACP countries, such as Ghana, in the event that they do not sign an EPA.

Ghana's Trade with the EU

Over 83% of Ghana's merchandise exports to Europe are primary agricultural products with little value-added, including cocoa, fruits, vegetables, and fresh fish exports.¹¹ Only 9% of exports to the EU are in manufactured goods. In contrast, Ghana's main imports from the EU are value-added products, such as machinery, electronic equipment, vehicles, textiles and pharmaceutical products. (see Table 2 below).

Table 2. Ghana's Trade with the EU (2005)

EXPORTS TO THE EU		IMPORTS FROM THE EU	
Product Description	Share of Total Exports	Product Description	Share of Total Imports
Cocoa and cocoa preparations	46%	Machinery (processing machines, construction machinery)	18%
Wood and articles of wood, wood charcoal	17%	Electrical equipment	12%
Meat, fish and seafood food preparations	10%	Vehicles other than railway, tramway	11%
Edible fruit, nuts, peel of citrus fruit, melons	9%	Articles of iron or steel	8%
Mineral fuels, oils, distillation products	3%	Other made textile articles, worn clothing	4%
Edible vegetables, certain roots and tubers	3%	Pharmaceutical products	4%
Pearls, precious stones, metals, coins	3%	Plastics and articles thereof	3%

Source: TradeMap (2006). Data for EU (27) countries.

¹¹ Data for 2005, from EUROSTAT (Comext, Statistical regime 4)

Ghana's Exports and EPA Market Access

The potential market access gains from signing an EPA, and vice-versa the potential losses from not signing an EPA, can only be assessed by examining the value of the current preferential access Ghanaian exporters already receive.

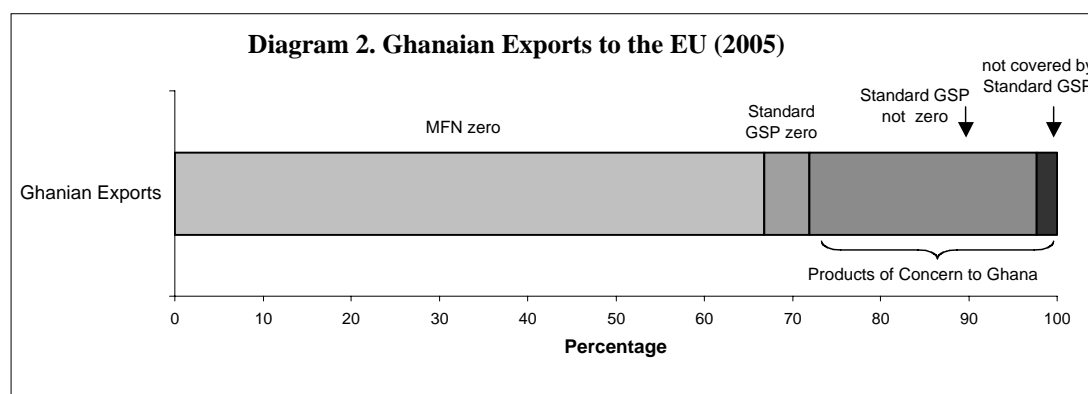
Is the Cotonou Agreement important for Ghana's Exports?

Ghana's exports to the EU are governed by three alternative arrangements: the Most Favoured Nation (MFN) rate available to all countries; the standard Generalised System of Preferences (standard-GSP) available to all developing countries; and the Cotonou Agreement available to all ACP countries. With the expiry of the WTO Waiver, only the market access provisions related to the Cotonou Agreement will expire – the other arrangements will remain in force. How valuable then is the preferential market access accorded to Ghana under Cotonou?

The Cotonou Agreement is the most favourable of the three arrangements. About 98% of all Ghana's exports to the EU are accorded duty-free entry (zero per cent tariff) under Cotonou.¹² At first glance this figure appears substantial, however, in many cases Ghana's exporters receive equivalent access to the EU market under the MFN and standard GSP arrangements. See Diagram 2. below. If Cotonou expired, 70% of Ghanaian trade with the EU would not be affected by increased tariffs. This is because:

- Over two-thirds of Ghana's exports (67%) are zero-rated under MFN, and hence for these products Cotonou provides no preference margin. This list includes many of the country's top exports such as cocoa beans, hardwood lumber, gold and diamonds. These products alone accounted for over 60% of Ghana's exports to the EU in 2005.
- An additional 5% of exports are accorded duty-free access under the standard GSP arrangement.

Thus, in reality Cotonou only provides a significant preference margin for about 30% of Ghana's exports.



Source: Author's calculations from Eurostat 2005 data and UNCTAD TRAINS. The diagram represents findings on 95% of the value of European imports from Ghana in 2005 (€19 million of the total €62 million Chapters 1-97).

If Cotonou expired and Ghana had to revert to the standard GSP, it is this remaining 30% of Ghana's exports that would face higher tariffs and are labelled 'products of concern to Ghana' in

¹² Calculations for 2005 based on Eurostat and UNCTAD TRAINS data. Because Ghana exports nearly 1,000 different product lines (CN-8 digit level) to the EU, to simplify the analysis Ghana's top 50 exports to the EU (which account for 95% of the total value of Ghanaian exports, and include all products exported over €1million in value) were taken to be equivalent to 100% of Ghana's exports to the EU. Calculations for 2003 based on EU, Eurostat 'intra- and extra-EU trade', 11/2004 (CD-Rom). Luxembourg: Office for Official Publications of the European Communities. Tariffs information from UNCTAD TRAINS.

Diagram 2 above. This list of products mainly includes (in order of their share of value) exports of: prepared or preserved tuna; pineapples; cocoa butter and cocoa paste; fresh vegetables; parts and accessories for instruments used in topography, oceanography etc.; aluminium; wooden sheets for veneering and plywood; frozen octopus, cuttle fish and sharks; bananas; cassava; and palm oil.

Commodity Protocols

For many ACP countries the most valuable EU preferences granted under Cotonou have generally been those extended to a few traditional primary exports governed under specific Commodity Protocols: the Beef and Veal (Protocol 4), Bananas (Protocol 5) and Sugar (Protocol 6). However, for Ghana these products do not represent a significant share of its total exports to the EU.¹³

What market access will Ghana gain from an EPA?

Under an EPA, Ghana's current access to the EU will be maintained and potentially increased to include those products not covered by the Cotonou Agreement. The Cotonou Agreement currently excludes 919 tariff lines, which are deemed sensitive products by the EU. If the EU moves to liberalize 100% of the value of its trade with Ghana, what will this improved market access be worth?

Given that nearly 98% of Ghana's exports to the EU already enter duty-free under Cotonou, the market access gains of an EPA would be *largely insignificant*. Other studies concur with these findings. Hinkle and Newfarmer have estimated that an EPA would be worth less than 1% of the value of current Ghanaian exports to the EU.¹⁴ These estimations are based on the assumption that the EU will agree to open up 100% of its market for exports from ACP countries, other than arms and ammunition. Yet, in none of its previous FTA's with developing countries has the EU agreed to liberalize 100% of its market. If the EU retains the right to designate certain products as 'sensitive', the gains of an EPA will be worth even less for Ghana.

An EPA could potentially provide market access improvements for Ghana in the following areas:

(I) Greater certainty of market access: In contrast to the GSP scheme, which is subject to periodic review and can be withdrawn unilaterally by the EU, the provision of bound and secure market access under an EPA might encourage growth in the export sectors, as investors seek to take advantage of preferences that are more stable and predictable.

(II) A more favourable Rules of Origin Regime: Rules of Origin define the conditions that a product must satisfy in order to 'originate' from the exporting country, which is granted preferential access. An EPA could make these Rules of Origin more favourable through certain changes to the existing Cotonou provisions (see Annex II).

(III) Local Capacity Building: An EPA could assist Ghanaian exporters to comply with food health and safety standards through cooperation in standard setting and information transfer, and by building the capacity of local institutions to carry out health inspections and export certification requirements. Efforts could also be made to increase the predictability and consistency of EU standards and directives.

(IV) Increased market access for Services: Currently, there are significant barriers to entry in the EU services market. This is particularly the case with respect to modes 3 (where a foreign firm

¹³ In 2005, Ghana only exported €2.8million of bananas, which accounted for about 0.3% of the country's total trade with the EU.

¹⁴ L. Hinkle and R. Newfarmer (2005) estimate the value of increased EPA market access by assuming that an EPA would have similar 'Everything But Arms (EBA) access' provisions, that is, it will provide duty-free and quota-free market access for all goods except arms and ammunition. L. Hinkle and R. Newfarmer (2005) 'Risks and Rewards of Regional Trade Agreements in Africa: Economic Partnership Agreements (EPAs) between the EU and SSA', Development Economics Department, World Bank, Washington, D.C. p. 19

establishes commercial presence in the export market) and mode 4 (where the natural persons selling services move to the market). EU liberalization under Mode 4 has been limited in the context of the General Agreement on Trade and Services (GATS), and biased towards highly skilled personnel.¹⁵ If some of these barriers were to be removed African countries would stand to benefit given that they have a comparative advantage in the supply of services due to the abundance of labour in their economies. EU countries are most likely to face excess demand in the tourism sector, health care, construction and transport sectors, which could be filled by Ghanaian services providers if the conditions relating to market access were improved.

What would Ghana lose from not signing an EPA?

If Ghana does not sign an EPA with the EU, what would happen to its exporters and what market access alternatives might be available? Currently, if Cotonou expired without an EPA being signed Ghana has the option of using the standard GSP or MFN arrangements.

If Ghana had to revert back to the standard GSP scheme, about 70% of its exports would continue to face zero tariffs to the EU. Exports of cocoa beans, hardwood lumber, gold and diamonds would be unaffected by changes in tariffs. However, there would be losses for about a third of Ghana's exports (see 'products of concern above'). For example, leading exports of tuna would face tariff increases of between 18% and 20%, fruit and vegetables exports (2-8%), and cocoa butter and paste (4-6%).

However, if Ghana did not sign an EPA it is *highly unlikely* that it would be forced to rely on the standard GSP scheme. This is because the Cotonou Agreement (Article 37.6) commits the EU to 'assess the situation' of non-LDC ACP states that decide 'they are not in a position' to enter EPAs in order 'to provide these countries with a new framework for trade which is equivalent to their current situation and in conformity with WTO rules'.

Ghana's EPA-Alternatives

There are a variety of alternatives available to Ghana, which would provide Cotonou-equivalent (or close to Cotonou-equivalent) market access treatment to the EU and do not entail signing a free trade agreement.

Alternative No.1 Special GSP-ACP Tranche or an Expanded Everything But Arms (EBA) Agreement

A new tranche of GSP could be created exclusively for ACP countries, providing preferential access equivalent to Cotonou. Alternatively, the duty-free and quota-free access to EU markets currently provided to LDC countries under EBA, could be extended to all ACP countries. Both of these options are unlikely to be politically feasible because they do not conform with the WTO's Enabling clause (under which the GSP was created), which states that a preferential access scheme must either apply to all developing countries, or all LDCs. It is unlikely that a GSP-ACP tranche would survive a WTO challenge because its differentiation (i.e. only for ACP countries) would be related to geographic and historical reasons, rather than widely recognised development needs.

Alternative No. 2 Ghana's Inclusion in an extended GSP-plus arrangement

The 'Special Incentive Arrangement for Sustainable Development and Good Governance', known as the 'GSP-plus' scheme, provides additional benefits for countries implementing certain international standards in human and labour rights, environmental protection, the fight against drugs, and good governance.¹⁶ Currently, 15 developing countries, mainly in Latin America, are

¹⁵ Mode 4 access is only allowed in highly restricted cases including: intra-corporate transfers, senior workers not engaged in direct sales, and suppliers of services on a temporary basis without commercial presence.

¹⁶ European Council Regulation (EC) No. 980/2005 (covering period 1 January 2006 to 31 December 2008), 27 June 2005 applying a scheme of generalised tariff preferences.

granted preferential access to the EU under this scheme.¹⁷ To be eligible for GSP-plus a country must meet two criteria.¹⁸ The first is a requirement of ‘vulnerability’, which relates to measures of economic diversification and smallness. The second is a commitment to human and labour rights, the environment and good governance, as measured by a countries ratification and effective implementation of sixteen human and labour rights conventions, and eleven environment and governance principles.

The GSP-plus scheme does not currently cover ACP countries because these countries already receive preferences under Cotonou. However, according to calculations by Stevens and Kennan (2005a) no ACP country, including Ghana, would be a priori excluded from the scheme as they all meet the requirement of vulnerability based on diversification and smallness.¹⁹ With respect to the second requirement, Ghana has ratified all but one of the sixteen human and labour rights UN/ILO Conventions.²⁰ Ghana has also ratified all the conventions related environment and governance, except the United Nations Convention Against Corruption, which it has only signed.²¹ Hence, Ghana is *not currently eligible* for GSP-plus preferences, but if it were to ratify all relevant international conventions it could meet the criteria necessary to benefit from the GSP-plus scheme.

If Ghana were to reject an EPA and switch to the GSP-plus scheme after Cotonou expired, how would its exports be affected? It is estimated that of all the products Ghana exports to the EU, at other than insignificant amounts²², 98% of these exports would face the same zero-rated applied tariff under GSP-plus as they currently do under Cotonou.

All of Ghana’s top exports to the EU would continue to enter the EU duty-free under GSP-plus. Table 3 below provides a comparison of the tariff treatment that Ghana’s exports face (or would face) under MFN, standard GSP, GSP-plus and Cotonou arrangements.

Product Description	Value 2005 Euros	Share of Total Exports	EU tariffs 2003			
			MFN	Standard GSP	GSP-plus	Cotonou
18010000 - COCOA BEANS, WHOLE OR BROKEN	480,578,111	52.3%	0	0	0	0
16041418 - PREPARED OR PRESERVED TUNAS AND SKIPJACK	46,398,197	5.0%	24	20.5	0	0
08043000 – FRESH OR DRIED PINEAPPLES	45,555,919	5.0%	5.8	2.3	0	0
18040000 – COCOA BUTTER, FAT AND OIL	27,366,232	3.0%	7.7	4.2	0	0
44072969 – LUMBER TROPICAL HARDWOOD	26,410,369	2.9%	0	0	0	0
18031000 – COCOA PASTE (excl defatted)	25,082,426	2.7%	9.6	6.1	0	0

¹⁷ Countries eligible for GSP-plus as of 1 July 2005 include: Bolivia, Columbia, Ecuador, Peru and Venezuela, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Moldova, Georgia, Mongolia and Sri Lanka.

¹⁸ see Chapter 1, Article 9 of European Council Regulation (EC) No. 980/2005 (covering period 1 January 2006 to 31 December 2008), 27 June 2005 applying a scheme of generalised tariff preferences.

¹⁹ Based on calculations from C. Stevens and J. Kennan (2005a) ‘GSP Reform: a longer-term strategy (with special reference to the ACP)’, Report Prepared for the Department for International Development (DFID), Institute of Development Studies (IDS) February 2005.

²⁰ Ghana has not ratified the ILO Convention concerning Minimum Age for Admission to Employment (No. 138). See <http://www.ilo.org/ilolex/english/docs/declworld.htm>

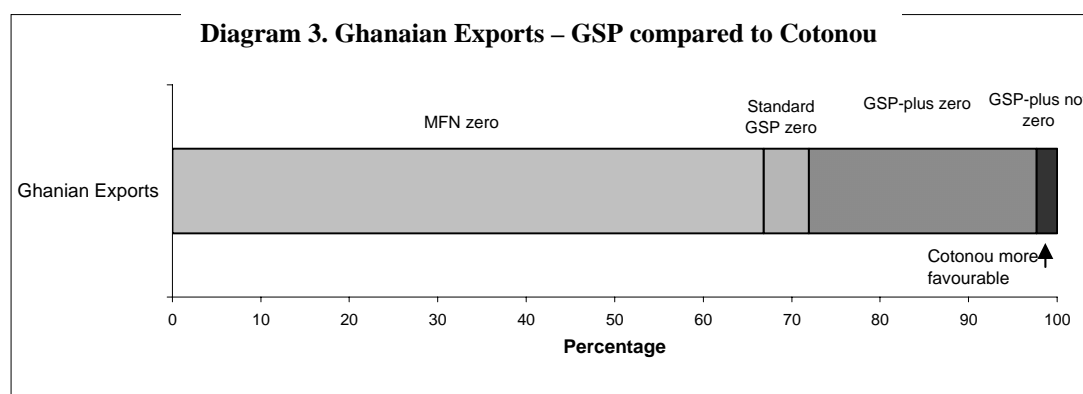
²¹ See http://www.unodc.org/unodc/crime_signatures_corruption.html

²² Due to the fact that Ghana exports just under 1,000 different products to the EU at the CN-8 digit level, this report examined only the range of products that Ghana currently exports, in other than insignificant amounts, to the EU. In this regard, EU(25) import statistics from Ghana were analysed to pick up any product that accounted for more than 0.1% of the value of Ghana’s exports to the EU (or more than €1 million) in 2005. Hence, the results are based on findings of 95% of the total value of *all* Ghanaian exports. These exports are taken to be equivalent to 100% of Ghana’s exports to the EU for the purposes of calculation.

44072995 - LUMBER TROPICAL HARDWOOD	16,711,824	1.8%	0	0	0	0
16041411 - TUNA AND BONITO	11,976,403	1.3%	24	20.5	0	0
44083985 - SHEETS FOR VENEERING	11,510,901	1.3%	4	0	0	0
71081310 - GOLD BARS, RODS, WIRE	11,064,061	1.2%	0	0	0	0
71023100 - NON-INDUSTRIAL DIAMONDS	11,010,768	1.2%	0	0	0	0
07099090 - COURGETTES	9,052,199	1.0%	12.8	8.9	0	0
90159000 - PARTS USED FOR INSTRUMENTS IN TOPOGRAPHY, etc.	8,905,319	1.0%	2.7	2.7	0	0
40012200 - NATURAL RUBBER	8,826,462	1.0%	0	0	0	0

Source: Author's calculations from Eurostat 2005. Data on Ghanaian exports and UNCTAD TRAINS (see Annex I)

Only about 2% of Ghana's exports face better tariff treatment under Cotonou, than they would do under GSP-plus. Diagram 3 below presents a comparison of the treatment of Ghana's exports under the standard GSP and GSP plus arrangements, with that of the Cotonou Agreement. The exports for which Cotonou provides more favourable treatment, and which would be worse off by switching from Cotonou to GSP-plus include: unwrought aluminium, fresh and whole roots and tubers, cassava, bananas, and palm oil.



Source: Author's calculations from Eurostat 2005 data on Ghanaian exports and UNCTAD TRAINS 2003 data. The diagram represents findings on 95% of the value of European imports from Ghana in 2005 (€903 million of the total €953 million Chapters 1-97).

The above findings show that only limited extensions in terms of product coverage would have to be made for GSP-plus to provide Cotonou-equivalent market access in terms of applied tariffs. These extensions to the GSP-plus arrangement would have minimal preference erosion consequences for Ghanaian exporters.²³

An Extended GSP-Plus: A Best Alternative?

Although the GSP-plus scheme provides close to Cotonou equivalent product coverage and preference margins in terms of applied tariffs, in its *current form* GSP-plus is *not a satisfactory* alternative. This is because the GSP scheme contains less favourable non-tariff barriers than Cotonou currently does. It is these types of barriers that have become increasingly important in

²³ The extension of preferential access under an extended GSP-plus scheme would result in some preference erosion because the 15 non-ACP countries currently eligible for GSP-plus would also be granted Cotonou equivalent access. According to Stevens and Kennan (2005a), preference erosion under an expanded GSP-plus would occur for four products; bananas, fresh table grapes, rum and tafia, and skins of sheep or lamb. With the minor exception of bananas, these products are all of minimal economic significance to Ghana.

determining the true value of market access for exporters. For an extended GSP-plus scheme to provide equivalent market access opportunities as Cotonou, not just in terms of tariff levels and product coverage, the following amendments would have to be made:

- (I) *Creation of a binding form of non-reciprocal preferences:* currently the GSP scheme is unilaterally granted by the EU, with beneficiary countries having little or no control over its coverage and application.

- (II) *Liberalization of GSP Rules of Origin requirements,* in particular cumulation rules: the GSP scheme only allows for bilateral cumulation between the EU and the recipient country, known as ‘donor country content’.

- (III) *Ensuring Due Process in the Application of Trade Conditionalities:* GSP-plus explicitly ties non-reciprocal preferences to the ‘effective implementation’ of conditionalities pertaining to human and labour rights and environmental protection. Ways must be found to ensure that the requirement of ‘effective implementation’ is not applied in an arbitrary manner that turns these worthy goals into another form of non-tariff barrier. The regulation governing GSP-plus states that the EU shall take into account the findings of relevant international organisations and agencies in determining the implementation of international standards. Efforts must be made to ensure that this process is transparent and that beneficiary countries have recourse to scrutinise the means by which conditions of governance and sustainable development are applied. Measuring the implementation of human rights and others standards should also incorporate the concept of ‘progressive realisation’, recognizing that there are timing and capacity requirements that must be taken into account as individual countries seek to meet and exceed the minimum floor on standards.

3. THE IMPACT OF RECIPROCITY AND TRADE LIBERALIZATION

If Ghana signs an EPA, it will have to liberalize a substantial part of its trade with the EU. This will impact on the economy and people's livelihoods through competition with EU imports in the domestic market, and declines in government revenue.

WTO Rules and the Level of Trade Liberalization

The WTO rules on regional trade agreements (RTAs) (Article XXIV) provide that tariffs must be lifted on 'substantially all trade' and over a 'reasonable period of time'. The EU's interpretation of this is that for an EPA to be WTO-compatible, 90% of the average total trade between the ACP and the EU must be liberalized. This would mean that ACP countries must liberalize 80% of their trade with the EU, in return for the EU opening up 100% of its market. The EU has employed a similar interpretation of 'substantially all trade' in its FTAs with other developing countries, including South Africa and Chile. If the same method is applied to an EPA, it is likely that Ghana would have to eliminate tariffs on 80% of its imports from the EU and will only be able to exclude 20% of its trade. However, the precise level of exclusion is still under negotiation. Many African government officials have stated that a 20% exclusion rate is not acceptable and have pushed for an exclusion list of more than 40%.

On the issue of the implementation period, the EU has proposed that liberalization should occur within a 12-year window. In contrast, ACP countries have pushed for an implementation period between 20 and 25 years to allow for necessary fiscal and productivity adjustments to take place domestically before opening up to the EU. Attempts to assess the impact of liberalization under an EPA are hence subject to the difficulty that the precise level of reciprocity has not yet been adequately defined.

WTO-Compatibility: Hostage to the Stalling of Doha

This ambiguity is the result of the fact that the Ghanaian government, and for that matter no African government, thought it would be signing an EPA until the WTO Doha Round was concluded. The Doha Round was supposed to clarify the rules pertaining to RTAs under Article XXIV. In particular, African countries had hoped that as part of the Doha package that the current WTO rules on RTAs would be amended to explicitly include special and differential treatment for developing countries. This would have given African countries sufficient flexibility and security to interpret the requirement of WTO-compatibility in a manner beneficial to their development interests.

Ghana's Import Context

The EU is the main source of imports in Ghana, accounting for about 35% of total imports in 2005.²⁴ The US supplies only 6.4% of Ghanaian imports, compared to Nigeria and China, which account for 15.5% and 12.8% of total imports, respectively.²⁵ Imports from the EU consist mainly of fuel and machinery, chemicals and food products. Table 4 below provides an overview of Ghana's leading imports from the EU.

²⁴ TradeMap (2006), available at www.trademap.org. Accessed February 2007.

²⁵ *Ibid.*

Table 4. Ghana's Top Imports from the EU (2005)

Product Description	Value 2005 US\$ (000s)	Share of Total Imports from the EU
730512 – PIPES	81,633	5.2%
630900 – WORN CLOTHING	56,038	3.6%
852520 – TRANSMISSION APPARATUS	51,885	3.3%
271000 – PETROLEUM OILS	49,110	3.2%
870323 – AUTOMOBILES	32,565	2.1%
200290 – TOMATOES PREPARED OR PRESERVED	28,345	1.8%
842952 – SHOVELS AND EXCAVATORS	25,485	1.6%
851730 – TELEPHONIC/TELEGRAPHIC APPARATUS	23,996	1.5%
843149 – CONSTRUCTION MACHINERY	20,597	1.3%
870899 – MOTOR VEHICLE PARTS	17,553	1.1%
300220 – VACCINES	17,230	1.1%
901890 – MEDICAL AND VETERINARY INSTRUMENTS	16,429	1.1%
020714 – FOWLS, CUTS AND OFFAL, FROZEN	16,026	1.0%
870120 – ROAD TRACTORS	15,926	1.0%
731021 – CANS, IRON OR STEEL	15,259	0.9%

Source: Author's calculations from TradeMap (2006). Data for EU (27) countries.

Ghana's Current Tariff Regime

Ghana has already undergone substantial liberalization of its trade regime. The simple average tariff fell from 17% in 1992 to 13% in January 2000, when the highest duty rate levied on consumer goods was reduced to 20%.²⁶ In 2000, Ghana's tariff regime comprised of four main MFN rates: zero and 5%, mainly on raw materials and capital goods; 10% mostly on intermediary goods; and 20% on many consumer goods. Some 13.5% of tariff lines had a zero duty.

Ghana also increased its coverage of bindings during the Uruguay Round from zero to 15% of tariff lines. In agriculture, all tariffs were bound, mainly at a ceiling rate of 99%, effective in 2004. A few industrial tariffs, largely on agricultural inputs, such as fertilizers, as well as tools and equipment, were also bound at between 30-45%.

The Impact of Trade Liberalization on Development & Poverty Reduction

The prescription repeatedly given to African countries is that to encourage economic growth they need to liberalize imports. Although there is no evidence that higher tariffs are *a priori* good for economic growth, the range of outcomes associated with past experiences of trade liberalization strongly suggest that the link between growth and opening up markets is more complex than is often argued.²⁷

Trade liberalization's impact on poverty reduction depends on many different factors, not least of which are: the degree of labour mobility and gender dimensions of labour markets; the competitiveness of domestic industries; the equality of income distribution; the mix of products poor people produce and consume; and non-tariff sources of revenue available to governments.²⁸ Depending on these various factors, trade liberalization can create both winners and losers.

²⁶ WTO (2001) Ghana Trade Policy Review, document WT/TPR/S/81, p. ix

²⁷ see UNECA (2004) Africa Economic Report 2004, UNECA, New York; Rodrik, D. (2001) 'The Global Governance of Trade As if Development Really Mattered', UNDP.

²⁸ Winters, A. (2002) 'Trade Policies of Poverty Alleviation', in Hoekman, B. and Mattoo, A. (2002) Trade, Development and the WTO. World Bank, Washington, DC

Ghana's Productive Sectors

The complexity in analysing the impact of EPA negotiations on Ghana's productive sectors is that it is difficult to identify with certainty the sectors that *will* be adversely affected by the conclusion of an FTA, until West African countries have published their exclusion lists (that is the list of products that will continue to be protected by tariffs). As a result, it is only possible to identify the sectors that *would* be unable to compete *if* they were not covered by a country's exclusion lists and had to face liberalization under an EPA.

Industrial Competition from EU imports

The elimination of tariffs on EU imports will force many Ghanaian domestic producers to compete directly with EU firms. Although greater exposure to competition from imports can theoretically lead to greater innovation and efficiency gains if local firms are able to adapt, the ability of Ghanaian producers to compete with EU imports is highly constrained by the severe supply side constraints they face. If tariff protection was removed many Ghanaian producers would no longer remain profitable due to their much lower levels of industrial productivity and competitiveness, compared to the EU. While industrial development is a key part of Ghana's policies, domestic firms are still hindered by the lack of infrastructure and weak institutions, low levels of value-addition and the small-scale nature of production.

While detailed product specific data is required to identify the particular sectors that might be affected by liberalisation, an overview of the structural constraints faced by Ghanaian producers can be gleaned by looking at the country's economic competitiveness. In terms of UNIDO's Composite Index of Industrial Performance (CIP), Ghana ranks very poorly when compared against EU countries. The CIP measures a country's level of industrialisation based on the level of manufacturing value-added, manufactured exports per capita; industrialisation intensity, and export quality. Done on the basis of 155 countries, Ghana's CIP rank was 113th in 2000 as compared Germany (7th), France (16th), and the United Kingdom (19th).²⁹

Potential Benefits

In theory, liberalization could benefit Ghanaian domestic sectors that are heavily dependent on imported capital goods for their production, if the price of these inputs were to decrease due to the lowering of tariffs. However, the potential benefits of this are likely to be low for Ghana because the government has already liberalized unilaterally and applies a tariff of between 0-5% for raw materials and capital goods. Ghanaian firms also have access to tariff concessions, which are applied on imported inputs into nominated end-uses, such as agricultural implements and machinery, fishing nets and pharmaceuticals. Eliminating tariffs against imported EU goods might also mean cheaper (imported) goods for Ghanaians. However, this depends on traders passing on lower prices to consumers. This potential benefit must also be seen in the context of the impact on production and broader long-term national development.

Constraining Industrial Policy – Future Development

Beyond the one-off effect of lowering tariffs, an EPA will also affect an ACP country's development by binding tariff liberalization. An EPA is likely to freeze the tariff reduction commitments made by African countries, meaning that countries will not easily be able to increase their tariffs once they have made commitments to lower them. Hence, it is crucial to remember that EPAs will have an impact both on a country's present and future prospects. Binding tariff levels impacts on a government's ability to use tariff policy as a means of encouraging production, sheltering industries and nurturing them to move up the 'value-chain' into areas where there is more value-added in the goods that are produced.

²⁹ UNIDO (2004) Industrial Development Report 2004 Industrialisation, Environment and the Millennium Development Goals in Sub-Saharan Africa, Vienna.

Although tariff policy is not the only mechanism available to governments to help industrial development, it can be an important part of a government's policy strategy along with other instruments including policies to improve infrastructure and human capital accumulation.

Ghana's Agricultural Sector

Like many other African countries, agriculture is the mainstay of Ghana's economy. It sustains the livelihoods of millions of small-scale farmers and supports part of the country's industrialization efforts through forward linkages into the agro-chemicals and food processing sectors. Agriculture ought to be considered a sensitive sector due to its contribution to rural development, livelihood security and food security in Ghana. If forced to liberalize, agricultural producers would be adversely affected by cheaper and (often heavily subsidised) EU agricultural exports. For example, in 2002 the EU spent over US\$1 billion subsidising dairy exports, over US\$39.4 million in export subsidies for 132,2000 metric tonnes of milled rice and roughly US\$11.1 million on subsidies for wheat exports.³⁰ In the context of an FTA, these subsidised agricultural exports would lower the price of these products in Ghana, pushing domestic producers out of the market.

Although liberalization has the potential to result in cheaper imports, the costs of losing Ghana's productive sectors to EU competition must be considered in terms of the country's dynamic, long-term development interests. Indeed, even the EU's own commissioned Sustainability Impact Assessment (SIA) Report states that if West African countries were forced to fully liberalize this would result in import surges in the agro-industry. The estimates are that imports would increase by 16% for onions, 15% for potatoes, 16% for beef, and 18% for poultry.³¹ These sectors identified by the report must not be viewed as the only ones that are likely to be adversely affected by liberalization – the SIA report excluded several fruit and vegetable products from their analysis due to the lack of available price data.

The Need for Flexibilities and Special and Differential Treatment

While the opening up of trade holds out the potential for some benefits for consumers, it could also have severe adverse effects on local producers and firms, which are unlikely to be able to compete with EU products because of supply-side constraints. Given these difficulties, it is crucial that if West African countries negotiate an EPA, that they use all the flexibilities available to them in defining the product coverage, sequencing and transitional period for reciprocal liberalization. It is also imperative that certain safeguards be applied in the context of an EPA to protect Ghana's sensitive products, both agricultural and non-agricultural.

Services Liberalization

Services are an increasingly important export sector in Ghana, contributing about 43% to total GDP. The most important services with respect to revenue and wage employment include, among others, public administration, construction, financial, transport and communication, and tourism.³² Although the lack of specific data relating to the direction and value of service trade makes it difficult to assess the potential implications of an EPA, some general observations can be made.

Ghana has a relatively liberalized services sector due to the unilateral liberalization undertaken as part of structural adjustment and the commitments the country has made under the General Agreement on Trade and Services (GATS). Under the GATS, Ghana has already scheduled commitments covering sub-sectors in: tourism and related services; maritime transport; construction; education; financial services and telecommunications (see Annex III).

³⁰ F. Miencha (2005) Background Studies on Kenya's Trade and Industrial Policy Plans and Implications of EPAs for Kenya's Key Sectors, Report by F. Miencha for EcoNews Africa and Traidcraft Exchange. August 2005; USDA (2003) EU Trade Policy Monitoring on Export Subsidies. GAIN Report No. E. 23156

³¹ Sustainability Impact Assessments of the EU-ACP Economic Partnership Agreements (2004) Phase I, 'Regional SIA: West African ACP Countries', January 2004.

³² WTO (2001) Ghana Trade Policy Review, document WT/TPR/S/81

Although certain commitments have been made under GATS, the Ghanaian government has retained limits on market access and national treatment (i.e. the conditions which discriminate against foreign suppliers in favour of nationals). These limits have been applied in certain services areas and across certain modes of supply in an effort to support domestic providers (see Annex III).³³

Under an EPA, the EU is likely to push for additional liberalization beyond what Ghana has already committed under GATS. This liberalization could provide some benefits to Ghana, if it is focused on sectors where Ghana lacks capacity and is unlikely to develop it quickly enough. Nevertheless, any opening up of the services sector must be conditional on Ghana retaining the ability to use safeguards and to regulate the market access for foreign firms through limitations on: the number of suppliers; the total value of transactions; the number of services operations; the number of persons to be employed; the types of legal entity permitted and the share of foreign capital. In addition, Ghana must still have recourse to domestic regulation and the ability to set limits on national treatment.

The Impact on Government Revenues and Public Expenditure

Because they depend heavily on trade taxes for revenue, the fiscal stability of many African countries is potentially threatened by trade liberalization. If Ghana concludes an EPA, the lowering of tariffs on imports from the EU is likely to result in significant losses in government revenue. Moreover, if the Ghanaian government is unable to offset these losses, this could lead to possible severe cuts in public expenditure in key social sectors, such as health and education.

The impact of liberalization on government revenue is likely to be significant given that African countries are heavily dependent on import taxes. On average, ECOWAS countries are highly dependent on import duties, which account for 14.7% of government revenue and 2.5% of GDP.³⁴ In Ghana specifically, import duties account for 15.5% of total government revenue.³⁵ It has been estimated that the impact of EPA liberalization on Ghana would result in the potential loss of about US\$90 million in government revenue. This is equivalent to 1.8% of GDP and 10.3% of government expenditure (Busse et al. 2004).³⁶ Other studies estimate the loss to be greater. A study by UNECA estimates the revenue loss to be in excess of 19% of government expenditure – equivalent to one in every five dollars that is spent by the government.³⁷ These studies calculate tariff revenue loss based on the assumption that Ghana will have to liberalize 100% of its imports with the EU, as opposed to 80%, and hence, it must be noted that these results tend to overstate the potential decrease in revenues.

The EU has recognised that African countries are likely to face revenue losses from tariff elimination, but has argued these ought to be considered ‘short-term adjustment costs’ which can be overcome through re-structuring and broadening domestic tax bases. The favoured EU prescription is for African countries to switch from trade taxes to levying a VAT. However, Ghana has already diversified its tax system and has had a VAT system in place since 1998.

³³ The various modes of supply of services are: mode 1 cross border supply; mode 2: consumption abroad; mode 3: foreign commercial presence; and mode 4: movement of natural persons.

³⁴ ECDPM (2006) InBrief p. 5

³⁵ M. Busse and H. Großmann (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 (HWWA) Discussion Paper No. 294

³⁶ *Ibid.*

³⁷ The difference in results between the two studies is largely because Busse et al. take into account collection rates – that is the amount of money that is actually collected by customs and revenue authorities, as opposed to the theoretical revenue generated from imports. See Karingi et al. UNECA (2005b) ‘Assessment of the Impact of the Economic Partnership Agreement between the ECOWAS Countries and the European Union’, African Trade and Policy Centre (ATPC) Work in Progress No. 29.

Problems of Trade Diversion: Giving the EU Preferential Access

In addition to the loss of tariff revenues on *existing* imports from the EU, reciprocal liberalization may result in further losses in government revenue caused by ‘trade diversion’. Trade liberalization under an EPA could lead Ghanaian importers to switch their imports from relatively efficient, low-cost producers in a third country, in favour of imports from less efficient higher cost producers from the EU, simply because of the change in price created by the preferential access given to EU imports. This trade diversion from third country suppliers to EU suppliers will further increase tariff revenue losses because more imports will come in duty-free from the EU, rather than under MFN tariffs which Ghana would apply to other countries.

4. AGREEING TO BINDING NEW RULES – INVESTMENT AND OTHER ‘SINGAPORE ISSUES’

The EC has also pushed for the inclusion within EPAs of agreements on investment, government procurement, competition policy and trade facilitation – often known as the ‘Singapore Issues’. Aside from trade facilitation, developing countries successfully rejected the idea of negotiating the Singapore Issues within the context of multilateral negotiations at the 2003 WTO Cancun Ministerial. Not wanting to take on WTO-plus commitments, African Trade Ministers have consistently reaffirmed that the Singapore Issues are to be ‘kept outside the ambit of Economic Partnership Agreements’ as they will create binding constraints in areas of industrial policy.³⁸ The Singapore Issues are measures that reach deeper ‘behind the border’ of countries, and in comparison to tariff reduction negotiations, encroach further on the domestic policy-making of African countries in terms of both economic and social policies.

The impact of agreeing to binding new rules on investment, competition and government procurement has not been extensively analysed to date, and is an area that requires further research. This section thus attempts to identify Ghana’s current regulation pertaining to investment, and some of the potential concerns and obstacles Ghana may face if an EPA included further commitments in this area.

Investment Agreements do not increase FDI flows

The EU has consistently argued that an investment agreement would help attract much-needed FDI into Africa. However, there is little evidence to suggest that investment agreements are likely to promote additional investment flows over and above what a country would otherwise receive.

In spite of the bilateral treaties concluded by Ghana and the extensive rights granted to foreign investors in the 1990s, past experience has shown that opening up investment sectors does not necessarily lead to more and consistent investment flows, nor to the presumed benefits of investment such as employment creation. Although the adoption of the Ghanaian Investment Code in 1994 created a more liberal investment regime, including providing free rein for investors to repatriate profits and enjoy tax holidays, the level of FDI into Ghana dropped dramatically in the second half of the 90s. The decline in the country’s FDI competitiveness was largely due to policy and economic uncertainties, including macroeconomic imbalances, external economic shocks, and difficulties pertaining to the relationship between the government and privatised enterprises.³⁹

All of this points to the fact that an EPA investment agreement is likely to provide little benefit in promoting FDI flows. Indeed, the empirical evidence shows that FDI flows to developing countries are mainly determined by factors to do with market size, economic growth rates, per capita

³⁸ Statement at the African Union Conference of Ministers of Trade, April 2006.

³⁹ WTO (2001) Ghana Trade Policy Review, document WT/TPR/S/81

incomes, macroeconomic stability, reliability of public authorities, a higher level of FDI stock, rule of law and security of property rights.⁴⁰

Investor-friendly regimes already in place in Ghana

Since the mid 1980s, Ghana has taken steps to reform and liberalize its investment regime. The Ghanaian Investment Promotion Centre Act (GIPC) is the main legislative framework, which regulates all FDI into the country (except in minerals, oil and gas and the 'free economic zones'). Sector-specific regulation also applies to FDI in fishing, forestry and certain services, such as banking, insurance and real estate. The Act was aimed to promote and facilitate investment, and has created a relatively investor-friendly, liberal investment regime. Some of the provisions already adopted in Ghana include:

- Low minimum capital requirements compared to other developing countries; the minimum capital for foreign investors is US\$10,000 in joint ventures, and US\$50,000 for projects wholly owned by foreigners (compared to US\$300,000 in Tanzania).
- Foreign investment does not undergo a screening process.
- There are almost no limitations on foreign ownership, except in a few sectors, such as fishing, insurance, mineral and oil sectors.
- No restrictions on the conversion and transfer of funds.
- A variety of incentives for foreign investors, including tax holidays, capital allowances, locational incentives, customs duty exemptions and other inducements.
- No imposed performance requirements on foreign investors establishing commercial presence.

Limiting the space for development-friendly policies

Given the empirical evidence on the determinants of FDI flows and the existence of an investor-friendly regime already in place in Ghana, there is no compelling reason why an investment agreement under EPAs will lead to increased FDI flows into the country. On the contrary, there is also the risk that the adoption of an investment regime within an EPA might further limit Ghana's ability to regulate its own market for development reasons.

If Ghana was forced to give foreign corporations equal treatment to local industries (the principle of 'non-discrimination' or national treatment) across all sectors, the government might be prevented from using certain development tools it currently employs. In particular, the requirement that foreign investors engage local partners in certain key sectors would be threatened. For example:

- In the fishing sector, non-Ghanaians currently can only own a maximum of 75% of the interest in a tuna-fishing vessel.
- A limit of 40% foreign ownership also applies to insurance companies.
- There is also compulsory local participation in the mineral and oil sectors, whereby the Government acquires a 10% equity in ventures at no cost.⁴¹
- Controls also apply to portfolio investment – total foreign holdings of a publicly listed company on the stock exchange cannot exceed 75%.⁴²

⁴⁰ C. Chunlai (1997) 'The location determinants of Foreign Direct Investment in Developing Countries', Chinese Economies Research Centre, Working Paper 97_12

⁴¹ WTO (2001) Ghana Trade Policy Review, document WT/TPR/S/81 p. 25

⁴² A single foreign investor cannot own more than 10% of any listed company.

5. THE IMPACT ON AFRICAN REGIONAL INTEGRATION

One of the fundamental principles of the EPA negotiations is that the agreement should promote a strengthening of regional integration in West Africa based on priorities determined by the region. Regional economic integration is a key tool to foster greater development in West Africa through the pooling of resources, the expansion of markets, and increased trade and investment. Yet if not properly structured, an EPA could end up undermining rather than supporting regional integration. ACP Ministers have repeatedly expressed concerns that an EPA might disrupt integration efforts if regional markets are opened up to the EU before they are consolidated internally.

Ghana and West African regional integration

The West African grouping, of which Ghana is a member, does not correspond directly to any pre-existing trading bloc or legal structure. But in contrast to other ACP negotiating regions, the West African grouping is more aligned with ongoing regional initiatives. All of the members of the group are part of the Economic Community of West African States (ECOWAS), except for Mauritania, which left the organisation in 2001.⁴³ Member states that are part of the West African EPA negotiating group are also part of other overlapping regional groups including the West African Economic and Monetary Union (WAEMU) and the Community of Sahelo-Saharan States (CENSAD).⁴⁴

How integrated is the region?

The two leading regional initiatives in West Africa are ECOWAS (established in 1975) and WAEMU (established in 1994). There has been some progress toward greater integration, particularly within WAEMU, which has a customs union with a common external tariff (CET), a monetary union and is in the process of becoming a single market. Progress has been much slower within ECOWAS – though officially an FTA has been in place since 2000, it has not yet effectively been put into practice. Tariffs and non-tariff barriers also still present significant obstacles to intra-regional trade.⁴⁵

Thus, one of the key challenges for the West African negotiating group has been the convergence of the two regional integration initiatives so that ECOWAS can emerge as the sole regional body.⁴⁶ Although the process of regional convergence has been partly spurred on by the launch of EPA negotiations, economic integration has still been hampered by a number of challenges including inadequate political commitments and ownership at a national level, a slow process of policy harmonisation and a lack of human and financial resources.

An additional obstacle facing West Africa is that Mauritania is no longer an ECOWAS member (having left the organization in January 2001), but is still participating in the West Africa-EU EPA negotiations. Similarly, Cape Verde's decision to opt out of the ECOWAS-EU EPA configuration in September 2006 has caused further difficulties.⁴⁷

⁴³ All ECOWAS countries were originally part of the West African negotiating Group, however, following Cape Verde's withdrawal from the West African EPA negotiations this is no longer the case.

⁴⁴ Members of WAEMU include Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo. West African members of CENSAD include Benin, Burkina Faso, Cote d'Ivoire, Gambia, Ghana, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Sierra Leone, Senegal, and Togo.

⁴⁵ Intra-regional trade flows account for about 10% of total exports from ECOWAS (not including informal cross-border trade). Sustainability Impact Assessments of the EU-ACP Economic Partnership Agreements (2004) Phase I 'Regional SIA: West African ACP Countries', January 2004, p. 8.

⁴⁶ In December 2000, ECOWAS member states agreed that the four-scale WAEMU CET would be the basis of the ECOWAS CET. The ECOWAS CET is scheduled to come into effect by the end of 2007.

⁴⁷ Given that Cape Verde remains a member of ECOWAS, the decision to leave the EPA negotiating group is likely to undermine regional integration. This is because the only way Cape Verde will be able to

Regional Integration Supported or Undermined?

The EU has consistently justified EPAs on the basis that it will improve regional integration. An EPA could indeed act as a catalyst for the streamlining and rationalising of existing regional initiatives, through trade facilitation, capacity-building and technical assistance. An EPA could also serve to ‘lock in’ regional integration processes and policy reforms due to the presence of the EU and the WTO-compatibility of an EPA. However, these *assumed* benefits would not be forthcoming if problems stemming from conflicting and overlapping regional trade agendas are not harmonised.

Potential Difficulties

If West Africa’s regional grouping is not sufficiently harmonised before an FTA is launched, then an EPA will create new difficulties for intra-regional trade. For example, if Ghana chooses not to liberalize on rice and maintains its tariff levels, but Côte d’Ivoire removes all duties, traders would be able to circumvent Ghana’s restrictions by transporting cheap, imported EU rice across the border from Côte d’Ivoire. If a common exclusion list is not agreed upon, these transshipment difficulties could only be prevented through rigorous border controls and costly rules of origin checks, which would increase the barriers to intra-regional trade rather than reducing them. West African countries have been moving towards a CET and the harmonisation of an exclusion list, although progress has been slow and difficult.

Part of the reason for this difficulty is that West African countries do not apply high tariffs on the same products. If each West African country were to independently develop its own exclusion list based on the 20% of its trade with the EU on which it currently applies its highest tariffs, the natural overlap between these exclusion lists would be limited: 92% of products included in any one country’s basket of exclusions would be absent from the exclusion lists of all other members.⁴⁸ This figure might somewhat overstate the case given that there will be room for negotiation at the regional level and the exclusion list West African countries have argued for is greater than 20%. Nevertheless, it highlights the fact that there are likely to be differing priorities regarding the sectors that individual West African countries may want to protect. Countries will be forced to make difficult decisions about whether to change their trade policy to allow for compromises to be made at the regional level.

An additional concern for Ghana is that the clustering of LDC and non-LDCs within the same EPA negotiating bloc has created additional complexities. All of the countries in the West African grouping, apart from Ghana, Nigeria and Cote d’Ivoire, are LDC’s and thus already have duty-free access into the EU market without having to provide reciprocity, under the ‘Everything But Arms’ Agreement. If these LDC countries choose not to enter an EPA and still remained part of the ECOWAS FTA (and scheduled customs union), in practical terms they would only be able to prevent the *de facto* liberalization of their markets if they erected border controls and costly rules of origin checks between them and non-LDC West African countries, which would further increase barriers to intra-regional trade.

The Challenges

EPAs are clearly not responsible for many of the current challenges facing regional integration efforts in West Africa. Historically, intra-regional integration has tended to be weak in the region due to the outward orientation of West African countries’ market infrastructures and institutions, and their economic reliance on a limited basket of primary commodities for export outside the region. However, if these regional weaknesses are not sufficiently addressed before an EPA is signed, then the conclusion of an FTA with the EU risks further exacerbating the problem of ‘hub and spoke’ regional integration – African countries would become increasingly dependent on EU imports at the expense of supporting the development of regional markets.

meaningfully limit the effects of opening its market up to EU imports, if a West African-EU EPA is signed, is by erecting barriers between it and other West African countries.

⁴⁸ C. Stevens and J. Kennan (2005b) ‘EU-ACP Economic Partnership Agreements: the effects of reciprocity’, Briefing Note, Brighton, IDS. p. 3

6. DEVELOPMENT ASSISTANCE – AID FOR TRADE

The possibility of increased development assistance to African countries has often been seen as a potential benefit of EPAs negotiations. Yet careful scrutiny of the nature of EU development assistance, the pattern of disbursements, and the mechanisms of delivery is required to judge the amount and usefulness of the money allocated to Ghana for EPAs adjustment. If an EPA is to become an instrument for development, it is imperative that sufficient and timely financial and technical support be mobilised to enhance the competitiveness and supply capacity of West African countries, thereby enabling them to benefit from integration into the world economy.

EPA Implementation and Adjustment Costs

The adjustment costs Ghana will face from signing an EPA include tariff revenue losses and the costs of fiscal reform; the creation of safety nets to address employment loss; adjustment measures for losses in competitiveness; and the restructuring of domestic production. A study by the Commonwealth Secretariat estimates that for all ACP countries these adjustment costs will require €9.2bn in assistance.⁴⁹

EU Development Assistance

The EU has pledged that ACP countries will be supported and compensated by resources from the European Development Fund (EDF). EDF is the main financial instrument for the deployment of EU support to ACP countries, and is financed by EU members' contributions, which are agreed at the beginning of each five-year funding cycle, known as an 'envelope'. The EU has agreed to support EPA adjustment from the 10th EDF funding cycle. In December 2005, the EU agreed to commit €2.6bn for the 10th EDF for all ACP countries, to cover the period 2008-2013. This represents a nominal increase of €7.4bn from the 9th EDF envelope.⁵⁰

Although these funds seem impressive, the EU has not committed any additional assistance to EPAs; the total amount of the 10th EDF is only marginally more than if the EU had continued to contribute aid at its average historic level of 0.38% of its GNI in development assistance. The 10th EDF is thus a 'business as usual' funding programme, which ACP countries would have received regardless of whether they were negotiating an EPA.⁵¹ Given that there is no additional EPA assistance built into the 10th EDF budget, the 'development assistance' part of an EPA, which is designed to address issues of supply-side constraints and infrastructure support, will be relegated to the programming process of the EDF.

How much assistance will Ghana receive?

The programming exercise of the 10th EDF is still ongoing and upon its completion will finalize Ghana's national and regional allocations. The 9th EDF allocations made to Ghana provide the benchmark on which the 10th EDF is likely to build. Under the 9th EDF, Ghana received €231 million in programmable resources, and €80 million for emergency relief.⁵² These resources were allocated to three focal sectors: rural development, road transport and macro-economic support. Health, education, governance, the environment, culture, private sector development and trade also received support.

⁴⁹ This figure is calculated at 2005 equivalent prices. R. Grynberg and A. Clarke (ed.) (2006) 'The European Development Fund and Economic Partnership Agreements', Commonwealth Secretariat, Economic Affairs Division, p. 7.

⁵⁰ ECDPM (2006b) 2nd Technical Note on EU financing for development: The 10th European Development Fund: Development Funding for EPAs. Available at www.ecdpm.org, p. 3

⁵¹ R. Grynberg and A. Clarke (ed.) (2006) 'The European Development Fund and Economic Partnership Agreements', Commonwealth Secretariat, Economic Affairs Division, p.8

⁵² European Commission (EC) DG Development (2004) '2004 Mid-Term Review – Ghana', DG Development, West and Central Africa, Caribbean and OCTs. p. 1. Available at <http://delgha.ec.europa.eu/en/publications/MTR%202004%20Ghana%20-%20Conclusions.pdf>

The Possibility of Additional Funding?

Although the EU has acknowledged the need for financial assistance to be made available to African countries for adjustment support, it has consistently argued that the sum of money for EPAs under the 10th EDF is not up for negotiation because the EPA framework is about trade and trade-related issues only. While the European Commission (EC) does not have the mandate from EU member states to enter into negotiations on development assistance, the lack of additional resources committed by the EC under the 10th EDF (the principal instrument for EPA support) is in stark contrast to its professed ambition of integrating African economies into a liberalized global market, and its stated intentions of addressing the supply-side constraints that hinder African production. If African countries are to benefit from an EPA, money for adjustment support ought to be provided over and above that which the EU currently provides, because reciprocal liberalization will result in new challenges to do with finding new types of tax revenue, trade facilitation, and production and employment adjustment.

At the General Affairs and External Relations Council (GAERC) in October 2006, EU member states agreed to provide bilateral funds for Aid for Trade on top of the EDF administered by the EC. These conclusions establish that €1 billion from the European Community, and €1 billion collectively from EU member states, of Aid for Trade money will be earmarked to support the EPAs.⁵³ These funds have been promised, but their provision remains to be seen. There is concern that little extra support will be provided and that the EU might honour its commitments by re-labeling existing aid.

Delivering EPA Adjustment Support – Timely and Effective?

Beyond the amounts of support, the mechanisms and procedures through which EPA adjustment support will be provided to ACP countries also needs examination to ensure that funds are disbursed effectively. The operational weaknesses of the EDF (including slow disbursement rates and cumbersome procedures) raise doubts about whether it is an appropriate instrument for effective, timely and efficient delivery of aid for trade resources. For example, under the 9th EDF the EU promised €15.2bn in aid to ACP countries, but after five years only 28% of that money had been paid out – only one out of every four euros is actually delivered to ACP countries on time.⁵⁴

In Ghana, less than half (45%) of the money allocated to the country under the 8th EDF, launched in 1995, had been disbursed by 2004. Although there has been an improvement in annual EDF disbursements since 2003, many funds still remain under-utilised. Of the €235 million allocated under the recent 9th EDF to Ghana in 2002, two years later on only about 3% had been assigned to specific programmes and none had been disbursed by 2004.⁵⁵ Many of these delays are caused by cumbersome bureaucratic and implementation procedures, as well as lack of capacity in recipient government institutions. The need to address the supply-side constraints facing African countries and the need to support the implementation challenges of an EPA mean that an aid for trade adjustment assistance facility must be quick disbursing and responsive to Ghana's needs.

The lack of additional EDF resources committed to EPAs and the weaknesses of EDF as a funding mechanism raise serious concerns about whether the EC's promise of aid for trade will be meaningfully delivered in the context of EPA adjustment support.

⁵³ S. Bilal (2006) 'Redefining ACP-EU Trade Relations: Economic Partnership Agreements', ECDPM, Background Paper for Working Group 3, p. 7

⁵⁴ R. Grynberg and A. Clarke (ed.) (2006) p. 132-4.

⁵⁵ European Commission (EC) DG Development (2004) p. 9

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ANNEX I. GHANA'S EXPORTS TO THE EU (2005)

Ghanaian Exports to the EU: Comparing MFN, Standard GSP, GSP-plus and Cotonou							
(Exports are listed in ascending order in terms of the increasing tariffs they face as a result of shifting from MFN to standard GSP, to GSP-plus and to Cotonou. The three shaded cells in the 'cumulative share' column indicate, in succession, the value of exports that face the same tariff treatment under Cotonou as under MFN, as under Standard GSP and as under GSP-plus)							
Product Description	Value 2005 Euros	Share of Total* (%)	Cumulative Share (%)	EU tariffs 2003			
				MFN	Standard GSP	GSP-plus	Cotonou
				Minimum	Minimum	Minimum	Minimum
				AV/specific	AV/specific	AV/specific	AV/specific
Chs 1-97	962,484,694						
Total Value of all exports over €1million. This is equivalent to 95.5% of all Ghanaian trade with EU*	919,319,040						
18010000 - COCOA BEANS, WHOLE OR BROKEN/ROASTED	480,578,111	52.3%	52.3%	0	0	0	0
44072969 - LUMBER TROPICAL HARDWOOD	26,410,369	2.9%	55.1%	0	0	0	0
44072995 - LUMBER TROPICAL HARDWOOD, ABURA, AFRORMOSIA, AKO etc.	16,711,824	1.8%	57.0%	0	0	0	0
71081310 - GOLD (INCL GOLD PLATED WITH PLATINUM) BARS, RODS, WIRE	11,064,061	1.2%	58.2%	0	0	0	0
71023100 - NON-INDUSTRIAL DIAMONDS UNWORKED OR SIMPLY SAWN	11,010,768	1.2%	59.4%	0	0	0	0
40012200 - TECHNICALLY SPECIFIED NATURAL RUBBER	8,826,462	1.0%	60.3%	0	0	0	0
26060000 - ALUMINIUM ORES AND CONCENTRATES	7,233,339	0.8%	61.1%	0	0	0	0
18020000 - COCOA SHELLS, HUSKS, SKIN/COCOA WASTE	5,835,902	0.6%	61.7%	0	0	0	0
26020000 - MANGANESE ORES AND CONCENTRATES	5,441,875	0.6%	62.3%	0	0	0	0
44092091 - HARDWOOD BLOCKS, STRIPS AND FRIEZES FOR PARQUE FLOORING	5,392,320	0.6%	62.9%	0	0	0	0
71021000 - DIAMONDS, UNSORTED	5,300,997	0.6%	63.5%	0	0	0	0
44072490 - LUMBER (VIROLA, MAHOGANY, IMBUIA, BALSAM))	5,108,602	0.6%	64.1%	0	0	0	0
12022000 - SHELLED GROUNDNUTS, NOT ROASTED OR COOKED	3,987,525	0.4%	64.5%	0	0	0	0
44079997 - TROPICAL WOOD, SAWN OR CHIPPED LENGTHWISE	3,742,667	0.4%	64.9%	0	0	0	0
94036010 - WOODEN FURNITURE FOR DINING ROOMS AND LIVING ROOMS	3,467,981	0.4%	65.3%	0	0	0	0
44092098 - NON-CONIFEROUS WOOD, CONTINUOUSLY SHAPED	2,754,902	0.3%	65.6%	0	0	0	0
44079996 - TROPICAL WOOD, SAWN OR CHIPPED LENGTHWISE	2,656,283	0.3%	65.9%	0	0	0	0
08072000 - FRESH PAWPAWS "PAPAYAS"	2,020,151	0.2%	66.1%	0	0	0	0
40012900 - NATURAL RUBBER IN PRIMARY FORM OR IN PLATES, SHEETS OR STRIPS	1,810,923	0.2%	66.3%	0	0	0	0
52010090 - COTTON, NEITHER CARDED NOR COMBED	1,538,054	0.2%	66.5%	0	0	0	0
12119097 - PLANTS AND PARTS OF PLANTS, INCL. SEEDS AND FRUITS	1,312,568	0.1%	66.6%	0	0	0	0
12072090 - COTTON SEEDS, WHETHER OR NOT BROKEN (EXCL. FOR SOWING)	1,135,469	0.1%	66.7%	0	0	0	0
48184090 - NAPKINS AND NAPKIN LINERS FOR BABIES, AND SIMILAR SANITARY ARTICLES	999,800	0.1%	66.8%	0	0	0	0
44072930 - LUMBER TROPICAL HARDWOOD	8,007,726	0.9%	67.7%	2	0	0	0
27101961 - FUEL OBTAINED FROM BITUMINOUS MINERALS	5,591,781	0.6%	68.3%	3.5	0	0	0
27101969 - FUEL OILS OBTAINED FROM BITUMINOUS MINERALS	4,853,351	0.5%	68.8%	3.5	0	0	0
90158019 - ELECTRONIC METEOROLOGICAL, HYDROLOGICAL AND GEOPHYSICAL INSTRUMENTS	3,996,627	0.4%	69.3%	3.7	0	0	0
44083985 - SHEETS FOR VENEERING, WOOD	11,510,901	1.3%	70.5%	4	0	0	0
44083995 - SHEETS FOR VENEERING, WOOD	6,674,153	0.7%	71.2%	4	0	0	0
44089095 - SHEETS FOR VENEERING, WOOD	3,796,058	0.4%	71.7%	4	0	0	0
44083931 - VENEER SHEETS AND SHEETS, WOOD	2,171,696	0.2%	71.9%	6	0	0	0
16041418 - PREPARED OR PRESERVED TUNAS AND SKIPJACK	46,398,197	5.0%	76.9%	24	20.5	0	0
08043000 - FRESH OR DRIED PINEAPPLES	45,555,919	5.0%	81.9%	5.8	2.3	0	0

18040000 - COCOA BUTTER, FAT AND OIL	27,366,232	3.0%	84.9%	7.7	4.2	0	0
18031000 - COCOA PASTE (EXCL. DEFATTED)	25,082,426	2.7%	87.6%	9.6	6.1	0	0
16041411 - TUNA AND BONITO (SARDA SPP.//FISH)	11,976,403	1.3%	88.9%	24	20.5	0	0
07099090 - FRESH OR CHILLED VEGETABLES//URGETTES)	9,052,199	1.0%	89.9%	12.8	8.9	0	0
90159000 - PARTS AND ACCESSORIES FOR INSTRUMENTS USED IN TOPOGRAPHY, OCEANOGRAPHY etc.	8,905,319	1.0%	90.9%	2.7	2.7	0	0
27101949 - GAS OILS OF PETROLEUM OR BITUMINOUS MINERALS	8,615,074	0.9%	91.8%	3.5	3.5	0	0
44089085 - SHEETS FOR VENEERING, WOOD	8,523,609	0.9%	92.7%	4	4	0	0
03075910 - FROZEN OCTOPUS, WITH OR WITHOUT SHELL	5,297,132	0.6%	93.3%	8	2.8	0	0
18032000 - COCOA PASTE, WHOLLY OR PARTLY DEFATTED	5,285,189	0.6%	93.9%	9.6	6.1	0	0
16041416 - LOINS OF TUNAS OF SKIPJACK, PREPARED OR PRESERVED	4,463,767	0.5%	94.4%	24	24	0	0
03074918 - FROZEN CUTTLE FISH WITH OR WITHOUT SHELL	4,430,368	0.5%	94.8%	8	2.8	0	0
15159059 - CRUDE FIXED VEGETABLE FATS AND OILS	4,117,123	0.4%	95.3%	6.4	2.9	0	0
03034290 - FROZEN YELLOWFIN TUNAS "THUN//RVATION)	3,684,456	0.4%	95.7%	22	18.5	0	0
16042070 - PREPARED OR PRESERVED TUNAS//PIECES)	3,297,680	0.4%	96.0%	24	20.5	0	0
03034390 - FROZEN SKIPJACK OR STRIPE-BELLIED BONITO	3,278,686	0.4%	96.4%	22	18.5	0	0
44121400 - PLYWOOD CONSISTING SOLELY OF SHEETS OF WOOD	2,700,735	0.3%	96.7%	7	3.5	0	0
44121390 - PLYWOOD CONSISTING SOLELY//COMPONENTS)	2,395,390	0.3%	97.0%	7	3.5	0	0
03037590 - FROZEN SHARKS (EXCL. DOGFISH)	2,206,459	0.2%	97.2%	8	2.8	0	0
07096099 - FRESH OR CHILLED FRUITS OF GENUS CAPISICUM OR PIMENTA	1,992,052	0.2%	97.4%	6.4	2.9	0	0
08109095 - FRESH FRUIT, EDIBLE	1,531,006	0.2%	97.6%	8.8	5.3	0	0
15119099 - PALM OIL AND ITS LIQUID FRACTIONS	948,918	0.1%	97.7%	9	3.1	0	0
76011000 - ALUMINIUM, NOT ALLOYED, UNWROUGHT	8,708,240	0.9%	98.6%	6	6	6	0
76012010 - UNWROUGHT PRIMARY ALUMINIUM ALLOYS	1,834,760	0.2%	98.8%	6	6	6	0
07149011 - FRESH AND WHOLE OR WITHOUT SKIN, FROZEN ARROWROOT, SALEP, AND SIMILAR ROOTS AND TUBERS	6,740,398	0.7%	99.6%	outside quota US\$114.3 7/tonne inside 6%	outside quota US\$114.3 7/tonne inside 6%	outside quota US\$114.3 7/tonne inside 6%	0
07141091 - MANIOC (CASSAVA) FRESH AND WHOLE OR WITHOUT SKIN	1,109,718	0.1%	99.7%	outside quota US\$114.3 7/tonne inside quota 6%	outside quota US\$114.3 7/tonne inside quota 6%	outside quota US\$114.3 7/tonne inside quota 6%	0
08030019 - BANANAS, FRESH (EXCL. PLANTAINS)	2,878,339	0.3%	100.0%	outside quota US\$211.8 8/tonne inside 0%	outside quota US\$211.8 8/tonne inside 0%	outside quota US\$211.8 8/tonne inside 0%	outside tariff quota rate US\$211.8 8/tonne inside 0%

Source: Author's calculations from Eurostat and UNCTAD TRAINS 2005 data. The diagram represents findings on 95% of the value of European imports from Ghana in 2005 (€03 million of the total €53 million Chapters 1-97).

Note: (*) Due to the fact that Ghana exports just under 1,000 different products to the EU at the CN-8 digit level, this report examined only the range of products that Ghana currently exports, in other than insignificant amounts, to the EU. In this regard, EU(25) import statistics from Ghana were analysed to pick up any product that accounted for more than 0.1% of the value of Ghana's exports to the EU (or more than €1million) in 2005. Hence, the results are based on findings of 95% of the total value of all Ghanaian exports. These exports are taken to be equivalent to 100% of Ghana's exports to the EU for the purposes of calculation

ANNEX II. RULES OF ORIGIN

An EPA could make the make the rules origin for Ghanaian exports to the EU more favourable than the current provisions contained in the Cotonou Agreement through certain changes. Possible improvements could include the:

- Adoption of a simple change in tariff heading at the HS6 digit level as sufficient evidence of ‘substantial transformation’;
- Allowance for ‘global cumulation’ whereby ACP exports can contain inputs that have been processed across all ACP regions and other developing countries. Cumulation allows inputs from specified countries to be treated as originating materials from the country asking for the preferential access. Currently, Cotonou only provides for ‘full cumulation’ whereby ACP exports will only qualify for preferences for any processing that has been carried out in the EU, other ACP countries and South Africa.
- Extension of more favourable provisions to textile and apparel production, such as the inclusion of third country fabric provisions, which African producers have benefited from under the African Growth and Opportunity Act (AGOA).

ANNEX III. GHANA'S COMMITMENTS UNDER GATS

The table below provides information on the commitments Ghana has already made under GATS.

Table 5. A Summary of Ghana's Sector-Specific commitments under GATS

Tourism	<ul style="list-style-type: none"> Hotels and Restaurants (including Catering) Travel agencies and tour operators
Transport	<ul style="list-style-type: none"> Maritime freight Maritime Auxiliary (cargo-handling, storage, warehousing, container station and depots)
Communications	<ul style="list-style-type: none"> Voice telephone (local, long distance & international) Data transmission services, telexes and faxes Mobiles (data services, paging, etc) Telecommunication Equipment sales Telecommunication equipment rentals, maintenance, connection, repair and consulting
Financial	<ul style="list-style-type: none"> Acceptance of deposits, credit facilities Leasing, payments, guarantees and commitments Trading in money and capital market instruments Insurance: life insurance, non-life insurance
Construction & engineering services	<ul style="list-style-type: none"> General construction work for buildings General construction work for civil engineering Installation and Assembly Work
Education	<ul style="list-style-type: none"> Secondary and specialist

Source: WTO (2001)

Restrictions on services liberalization in Ghana include the following:

- ❖ The temporary movement of natural persons (mode 4) contains the most legal restrictions and barriers. Automatic entry and work permits are only allowed for up to four expatriate senior executives and personnel with specialized skills. Approval is needed for additional expatriate workers. Enterprises must also provide for training in higher skills for Ghanaians to enable them to assume specialized levels.
- ❖ Foreign owned companies, including joint-venture enterprises must satisfy minimum capital outlay and foreign equity requirements: a 100% foreign-owned company requires a minimum equity capital outlay of US\$200,000; for a joint-venture this minimum is US\$10,000 in cash or kind.
- ❖ Maritime Freight – foreign firms have limited access to only 20% of bulk and liner cargo.
- ❖ Financial Services – in the insurance sector 20% of the equity of a foreign-owned company must be owned by the Government, and an additional 40% by Ghanaians.
- ❖ Telecommunications – in relation to cross border supply, the by-pass of duopoly operators is not permitted for voice telephone, data transmission, and mobiles. In the mobile sector, market access is only granted through joint venture schemes with Ghanaian nationals.

These restrictions are based on 2000 data from the WTO (2001) Ghana Trade Policy Review.