

BENCHMARKING EPA BETWEEN EU AND ECOWAS

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EXECUTIVE SUMMARY

Introduction

The new world order is predicated on an unprecedented growth in the extensiveness and intensity of interconnections among countries on a purely global scale. This process is however, posing serious challenges to weak economies that are not able to influence the terms on which they have to integrate into the new world economy. The potential benefits of greater integration of the world economies have, however, encouraged most economies to seek to be part of the greater interdependence generated by this process.

These weaker economies are grappling with the consequential increase in economic interdependence through trade, financial flows, freer factor movements and exchange of technology and information. This is particularly so because one major characteristics of this development is its uneven manifestation amongst countries. Some countries have been able to take advantage of the greater interconnection of nations through openness while others have not. The least developed countries happen to be those that have not been able to be integrated into the global economy and are thus not in the position of benefiting much from it.

There is a growing consensus on the relation between the level of openness/liberalization and economic development. More open economies are said to be in a better position within a globalizing world to develop. Openness enables access to global capital, technology, managerial skills, intermediate and raw material to improve in economic conditions. The question however remains that of why the least developed countries are unable to benefit despite efforts at liberalizing.

ECOWAS Development Status

ECOWAS member countries are mostly among the least developed in the world and are characterized by low incomes and poverty. The latest Human Development Index (HDI) published by UNDP (2006 data) shows that all but four countries are in the list of those with low human development. Only Cape Verde (118), Mauritania (140), Ghana (142) and Senegal (153) were listed as those with medium human development. Nigeria accounting for almost half of the region's population was listed as 154 behind Senegal. Decades after colonial rule by the same set of countries they seek economic partnership these countries remain poor and underdeveloped.

Since the 1960s Europe has had a series of trade agreement with ECOWAS countries. The experience of ECOWAS countries under the Yaoundé I and II, (1963-1975) and Lomé I-IV, (1975-2000) a series of non-reciprocal agreements by EU with ACP countries did not sufficiently address the development concerns of these countries, but rather deepened in many cases their dependency on the EU. For ECOWAS countries their present state of underdevelopment and dependency can only be part of the testimony of not just their past relationship with Europe but the returns to their investments in international economic relations. The fifteen years of the Lome Convention did not produce any remarkable progress in the economies of West African states. The regime failed to produce the desired results in terms of a market share increase and development product diversification, increase in trade, increase in income, a rise in the standard of living. It is against this background that the Cotonou Agreement (a new ACP-EU partnership agreement), was signed on 23 June 2000. This agreement reflecting the realities of past experiences places in its centre the pursuit of development and poverty eradication.

In recognition of the challenges of liberalization African countries are insisting on a development focused EPA which must guarantee that trade results in development and poverty reduction. Indeed the global objective of West Africa's vision is to achieve sustainable development, eradicate poverty and ensure regional peace and security and it is expected that any agreement signed by the region should play a part in achieving this vision. The vision of ECOWAS consists of achieving the integration of West Africa, not only at the level of trade but also at the level of people and countries. It is a political and economic integration centered on the interests of the citizens of the region. The Heads of State and Government are committed to moving ECOWAS from an

“ECOWAS of States towards a People’s ECOWAS”. It is hope that the peoples of the region would be better integrated in a borderless region.

The major thinking in development today is that trade can be a key driver of economic growth and development and developing countries are better off opening up their economies to global trade. There are still many questions by least developed African countries on this position. The close relationship between Europe and these countries notwithstanding and the preferential non-reciprocal trade agreement of the past, West African states are still among the poorest in the world.

Development and Integration Challenges in West Africa

Article 35.2 of the Cotonou Agreement states: “*Economic and trade cooperation shall build on regional integration initiatives of ACP States, bearing in mind that regional integration is a key instrument for the integration of ACP countries into the world economy.*” As an instrument to support integration in the region, the EPA envisaged in the Cotonou Agreement was intended to take into account the improvement in competitiveness of the economy of the region and especially the priority areas in the integration of the region, which are:

- the creation of a customs union through the liberalisation of internal trade and the putting in place of a common external tariff;
- facilitation of intra-community trade in goods and services with the goal of creating an integrated regional market;
- the free movement of people and the right of establishment;
- harmonisation of economic and sectoral policies as well as certain legislations;
- the creation of a single monetary zone for all countries of ECOWAS;
- strengthening of transport, telecommunications and energy infrastructure interconnection;
- the promotion of good governance, peace and security.

West African region and the EU began a new phase of regional negotiations on 6 October 2003 in Cotonou. To support the process, the two parties adopted on 4 August 2004 in Accra, a Roadmap which would see the conclusion of negotiations and signing of an EPA by the end of 2007. As at 31 December 2007, 35 out of the 77 ACP countries have initialed interim and full EPAs with the EU. In West Africa two of the three countries expected to do the same have initialed interim EPAs with Nigeria the only exception.

All parties agree that the EPA should be development focused. To ensure that this is the case the text of the agreement must have some specific provision to ensure that development concerns are addressed. At the centre of the development concerns are the issues of asymmetry and liberalization schedule. Development concerns require asymmetrical liberalization vis-à-vis the EU and allowing West African regions to open their markets first of all among themselves. The first phase of the liberalization process should be targeted at strengthening the integration process and expanding intra regional trade. While WTO compatibility requires reciprocity it is agreed that both parties are not of the same strength and that the level of development of West Africa must be taken into account in designing the EPA. In 2007 the EC announced a market access offer to the ACP consisting of duty free- quota free access for all originating ACP products upon entry into force of the EPA, with the exception of rice and sugar, for which transitional arrangements have been proposed.

West Africa expects that the creation of the free-trade area compatible with WTO rules would have to be progressive and taking into account the level of development of both parties. To ensure that the EPA does not deviate from set objectives it has been suggested that the process should adopt a benchmarking approach for the EPA negotiations. The aim of this is to allow assessing progress in EPA negotiations according to agreed development objectives.

Benchmarking Development in the ECOWAS EPA

Development Benchmarks are necessary to peg to the liberalization schedules of ECOWAS, targets that would ensure that the ECOWAS-EU EPA actually delivers on development. Given the continued poor ranking of most ECOWAS countries in major development indices it is important for the ECOWAS-EU EPA to deliver on development. Benchmarking is critical to ensure that the EPA does deliver on development and do not deviate far from the original ambitious pro-development agreement envisioned by the ACP in the context of Cotonou preferences.

The main principle behind benchmarking the EPA is to phase-out ECOWAS tariffs reduction and to link it to the attainment of pre-defined development indicators and not to pre-determined timetables. The continuation of tariff reduction would be predicated on the attainment of set benchmarks which reflect the stage and level of development in ECOWAS countries. The proper sequencing of liberalization would be defined by the progress made in ensuring that the ECOWAS countries attain set levels of development and thus better equipped to meet the challenges posed by freer trade with the EU.

Under the first category of benchmarks we expect that measurements of development would be important. Issues around Human Development, Poverty and Economic Growth would determine the time lines for the liberalization of ECOWAS trade with the EU and thus guide some of the critical benchmarks. This is important as EPA is expected to increase welfare levels. ECOWAS expects from this agreement increases in the standard of living of the population at large. These broad indicators are important for they define the ultimate impact of policy.

The benchmarks should be able to capture the level of transformation in production and enterprise development. They should also capture human capital development and factor productivity. On the supply side of development we expect that issues around institutions (property rights and the judicial system), transformation in production, investment and enterprise development, human capital and factor productivity, and EU development assistance would guide some benchmarks. It is important to note that rapid economic transformation to high living standards is best achieved when development-supporting institutions exist, such as security of property rights, a judicial system that can enforce contracts.

On the demand side we expect that issues around trade requirement criterion and sensitive industries, technical skills and capacity to meet EU product standards, and composition and direction of export growth would inform some benchmarks. The capacity to meet EU product standard would require not just the transformation of the production process but the means of ascertaining that those standards are met. In most ECOWAS countries the means of ascertaining that these standards are met are not available. The necessary laboratories and equipment for testing product quality need to be put in place and adequate human capital to man the necessary institutions enhanced. We should expect that these capacities are put in place before liberalization begins.

Recommended Benchmarks

Benchmark	<u>First Phase</u> (first Five Years after 5 years of moratorium)	<u>Second Phase</u> (second -five Years)	<u>Third Phase</u> (Third - ten Years)
	Contains 20% tariff lines	Contains an additional 20% of tariff lines bringing the total percentage of tariff lines to be liberalised to 50%.	Contains an additional 20% of tariff lines bringing the total percentage of tariff lines to be liberalised to 60%.
GDP (value and growth rate)	ECOWAS should sustain a minimum double digit growth rate during this period 15% reduction of the EU/ECOWAS GNP gap	ECOWAS should sustain a minimum double digit growth rate during this period Another 20% reduction of the EU/ECOWAS GNP gap	ECOWAS should sustain a minimum double digit growth rate during this period Another 25% reduction of the EU/ECOWAS GNP gap`
Poverty	Reduce the gap between the poverty	Reduce the gap between the	Reduce the gap between the

Reduction	rank of ECOWAS and EU by 10%	poverty ranking of ECOWAS and the EU by 10%	poverty ranking of ECOWAS by 20%
Reduction of Unemployment in EPA-liberalized sectors	Compensate for 50% employment loss due to liberalization	Compensate for another 50% employment loss due to liberalization	Compensate for all employment loss due to liberalization
Trade Share	Reduce by 10% the gap between the ECOWAS and EU share of world trade	Reduce by 15% the gap between the ECOWAS and EU share of world trade	Reduce by 20% the gap between the ECOWAS and EU share of world trade
Import Concentration		ECOWAS's share of imports from the EU should not exceed 25% of it's combined imports from the EU and other African countries.	ECOWAS share of imports from the EU should not exceed 15% of it's combined imports from the EU and other African countries.
Export Diversification	ECOWAS' 5 highest export sectors in value terms entering the EU should not be more than 65% of its total exports to the EU market. It's 10 highest export sectors should not be more than 50% of its total exports to the EU market.	ECOWAS highest export sectors in value terms entering the EU should not be more than 65% of its total exports to the EU market. It's 15 highest export sectors in value terms should not be more than 50% of its total exports to the EU market	ECOWAS' 15 highest export sectors to the EU should not be more than 65% of its total exports to the EU market. It's 20 highest export sectors should not be more than 50% of its total exports to the EU market
Export growth	Double the level of ECOWAS exports to the EU	Double the level of ECOWAS exports to the EU from the last phase	Double the level of ECOWAS exports to the EU from the last phase
Per Capita Manufactured Export	Reduce the gap between the ECOWAS per Capita Manufacture export and the EU's by 15%	Reduce the gap between the ECOWAS per Capita Manufacture export and the EU's by 20%	Reduce the gap between the ECOWAS per Capita Manufacture export and the EU's by 25%
Industrial growth	Double the share the industrial sector in GDP of ECOWAS.	Increase by 120% the size of the industrial sector of ECOWAS	Double the size of the industrial sector of ECOWAS
SME Development	Grow the SME sector at twice the rate of growth of the economy	Grow the SME sector at twice the rate of growth of the economy	Grow the SME sector at twice the rate of growth of the economy
Investment	Double the level of investment in ECOWAS	The level of investment in ECOWAS should at least 20% of GDP	The level of investment in ECOWAS should be at least 25% of GDP
Agriculture Production of tradable	ECOWAS should have doubled the production of tradables. This implies putting in place Processing, Marketing, Distribution and Transport (PMDT) programmes and immediately starting a comprehensive implementation of the EU Commodities Action Plan.	ECOWAS should have attained her food security and more than double the production of tradables from the last phase.	ECOWAS should have sustained food security and further increased agricultural production by 50%
Promotion of Agribusiness	Provision of support to double the output of small-scale farmers in the region	Provision of support to double the output of small-scale farmers in the region. Doubling the output of small scale agro-industrial organizations	Provision of support to double the output of small-scale farmers in the region. Doubling the output of small scale agro-industrial organizations
Food Security	ECOWAS to double the proportion of food consumption produced domestically Reduce by 50% the proportion of undernourished population	ECOWAS to double the proportion of food consumption produced domestically Reduce by 50% the proportion of undernourished population	ECOWAS to double the proportion of food consumption produced domestically Maintain zero level of undernourished population
Infrastructure Development Energy Roads Communications	Reduce the gap between the level of infrastructural development of ECOWAS and the average of middle income countries by 50%	Reduce the gap between the level of infrastructural development of ECOWAS and the average of middle income countries by 100%	Reduce the gap between the level of infrastructural development of ECOWAS and the average of high income countries by 70%
Human Capital	Reduce the gap between the level of human capital formation in ECOWAS and the EU by 20%	Reduce the gap between the level of human capital formation in ECOWAS and the EU by 30%	Reduce the gap between the level of human capital formation in ECOWAS and the EU by 20% from the last phase
MDGs	Ensure that the 2015 target of	Eliminate the gap between the	Reduce the gap between the

	meeting all MDG targets are met	MDG indicators of ECOWAS and those of middle income countries	MDG indicators for ECOWAS and EU is reduced by 70%
Human Development Index	ECOWAS should have moved into the medium HDI ranking.	ECOWAS should have moved to the upper end of the Middle HDI ranking	ECOWAS should have moved into the High Human Development Ranking
Development Index	The size of ECOWAS should be 20% of EU (based on the formula shown below)	The size of ECOWAS economy should be 50% that of the EU (based on the formula shown below)	The size of ECOWAS economy should be 75% that of the EU (based on the formula shown below)
Finance	Development finance available to drive development to increase by 20%. During the moratorium period the EPA Fund should have been established specifically for EPADP. This should be additional funds outside the EDF. 100% revenue lost due to liberalization to be covered from EPADP funds from the commencement date	Development finance available to drive development to increase by 20%	Development finance available to drive development to increase by 20%

Formula; $\{\log [Y_i/Y_{EU}] + \log [X_i/X_{EU}]\}/2$ in our case instead of two gaps we have 20 gaps to close.

$$DI = \frac{\sum_{i=1}^n \log \left(\frac{X_i}{X_{EU}} \right)}{n}$$

In place of the eu some variables have other set targets.

This index suggests that as the gap in aggregate is close to determined levels the region would liberalize given portions of its market.

Notes on the Suggested Benchmarks

1. *Domestic Production*

The value of domestic production is a good indication of the economic progress of the region. This indicator requires that the gap between the ECOWAS and EU GDPs be narrowed. The various phases of liberalization are predicated on the reduction of the GDP gap between both parties.

2. *Poverty Reduction*

The alleviation of poverty is a major expectation from the EPA. ECOWAS countries expect that from the agreement the region would be able to narrow the gap between it and the EU in terms of the level of poverty. All studies conducted so far indicate that ECOWAS countries are at the bottom of the world's poverty table. This benchmark requires that the liberalization scheme be tied to the pace of reducing the poverty gap between the ECOWAS countries and those of the EU.

3. *Reduction of unemployment from liberalized sectors*

The liberalization of some sectors would lead to reduction of employment as firms that could not compete with more efficient imports would close down. This would worsen the level of poverty and could be mitigated through programmes to reduce the resulting unemployment. This bench mark requires that portions of the unemployment created by liberalization be redressed for continuation of further liberalization.

4. *Trade Share*

A central issue in EPA is that of market access. The challenge of integrating ECOWAS into the world economic system involves increasing its share of global trade. At present the region accounts for an insignificant portion of world trade. This benchmark ties the liberalization process to the attainment of the reduction of the gap in the shares of ECOWAS and EU in world trade. EPA is expected to assist ECOWAS increase its share of world trade and in the process narrow the gap between it and the EU. Market access goes both ways. Just as ECOWAS seeks better access of EU market so does EU interested in ECOWAS market. In time this means that ECOWAS industries will have to contend with the competition of EU firms in their domestic markets. In the EPA context three issues suggest themselves as relevant for the sake of benchmarking EPA negotiations and implementation. The first is the direction of trade with more trade with the EU as the expected outcome, the second is the growth in trade, and the third is the change in the composition of trade. This benchmark captures the growth in trade.

5. *Import Concentration*

One of the indicators suggested by the South Centre (2009) is that of import concentration. A GSP beneficiary country finds it harder to access the EU market when it dominates the EU market in comparison to other developing countries. A country reaching a certain level of specialization and occupying a significant portion of the EU market is 'graduated' from the GSP arrangement. The EU has revised its GSP graduation criteria such that as of January 2009, only the concentration criteria will be in use. The concentration/share that a country has in the EU market, as compared to other GSP recipients has been reduced to 15 percent. According to Article 13 of the new Council Regulation (EC) No 732/2008 of 22 July 2008, 'The tariff preferences referred to in Articles 6 and 7 (Article 6 is on the arrangements for the GSP scheme and Article 7 is the arrangement for the GSP+) shall be removed, in respect of products originating in a beneficiary country of a section, when the average value of Community imports from that country of products included in the section concerned and covered by the arrangement enjoyed by that country exceeds 15% of the value of Community imports of the same product from all beneficiary countries and territories over three consecutive years, on the basis of the most recent data available on 1 September 2007. For each of the Sections XI (a) and XI (b) (there refer to textiles), the threshold shall be 12,5%.' (South Centre 2009) The South Centre suggests that mirroring this, countries should open up to the EU but not if the EU, given its production strengths and specialization in many sectors, monopolizes its entire market. "African countries do want to put integration with other African countries as a priority. Hence, there should be a certain part of the market that is reserved for the EU, and a portion of African countries' markets set aside for specialization by other African producers".

6. *Export Diversification*

This indicator suggested by the South Centre (2009) also derives from the graduation criteria of EU GSP. "Before the GSP+ arrangement can kick in, several criteria have to be met. Amongst these, the country should be considered vulnerable. One part of the 'vulnerability' definition includes: 'the five largest sections of its GSP-covered imports into the Community represent more than 75% in value of its total GSP-covered imports'. That is, the country cannot be highly diversified in its exports. If it is, it is not 'vulnerable' and will not be eligible for the GSP+". "Turning this concept of vulnerability around, African countries should liberalize their markets to the EU when they are less vulnerable and have attained a more robust level of diversification in their production and hence exports".

7. *Export Growth*

At the center of the free trade argument is that trade drives economic development particularly in this era of globalization. Specifically export growth is a key driver of development. A number of countries have been credited with being able to induced rapid growth through promotion of a competitive export drive. From the perspective of an EPA an important demand side consideration is that economic development of ECOWAS will have to be driven by export growth. The expected economic transformation from an EU-ECOWAS EPA will also require the export growth to be diversified.

In the EPA context one of the issues that suggests itself as relevant for the sake of benchmarking is the growth of exports to the EU. The greater integration of ECOWAS into the global market which the EPA seeks to promote requires the insertion of their commodities exports in the global value chains. A successful EPA from ECOWAS perspective will see greater penetration of ECOWAS exports into the EU market and greater integration into the global market. Free trade agreements are expected to remove constraints to market access and encourage two-way intra-regional trade. It should not be a one-way flow of commodities.

If ECOWAS has nothing to export or cannot export under the prevailing market conditions free trade agreement would not mean much to it. Such agreement would not be developmental. To meet the development test the agreement must ensure that ECOWAS can export to EU. The agreement should facilitate the necessary transformation of ECOWAS to enable it export to the EU. Trade could actually grow and welfare enhanced by access to cheaper goods from imports, without growth in export. Growth in export is necessary to acts as a growth engine by providing an outlet for growth in production which is expected from free trade. EPA to be successful has to promote growth in domestic production for which export demand exists and export growth will remove the constraint of a limited domestic market.

8. *Per Capita Manufacture Export*

Change in the composition of trade suggests itself as an issue for benchmarking. The structural transformation of the economies of ECOWAS countries that is necessary to make them benefit from free trade would also reflect in the structure of exports. Export growth is important but the structure of such growth is equally important. The decline in commodity prices has had major impact on primary exporting countries and has been one of the mechanisms of transmitting the current global economic crisis to these economies. An important indicator that suggests itself for benchmarking is the per capita manufacturing export. It captures the shift of export from traditional exports to manufactured export which is critical if developing countries are to move into the mainstream of global trade.

9. *Industrial Growth*

The transformation of ECOWAS which is so essential if EPA is to have pass the development test requires a significant shift of her economies from primary, raw material producers to industrial economies. ECOWAS industrial base is very weak and this has a major impact on her trade. Trade liberalization to be developmental should aim at strengthening the capacities of domestic manufacturing sectors; facilitate technological upgrading of firms and strengthening of innovation systems. EPA can move towards a development-oriented structural change in ECOWAS by focusing on restructuring the economies to shift towards manufacturing. Experience has shown that in most cases growth and development is characterized by industrialization.

The history of economic advancement suggests that economies have to shifts production and employment from lower-productivity primary production, especially agriculture, to higher-productivity industry, manufacturing in particular. Today, information and communication technology is driving knowledge based economies that are dominating the global economy. Yet developing economies must still go through the necessary structural transformation from primary producers to industrial economies to fully benefit from the latest drivers of growth. EPA, to be pro-development, should ensure measures in the EU to increase technology transfer to ECOWAS and development of domestic capacities in service sectors. It should ensure agribusiness and SME development and clustering and encourage productivity in informal activities.

10. *SME Development*

Small and Medium Enterprises have a critical role to play in the transformation of ECOWAS economies and should benefit directly from EPA. EPA should thus be benchmarked on the growth of SMEs in ECOWAS.

11. *Investments*

The required growth in the manufacturing sector cannot be accomplished without a reasonable level of investment. The level of domestic savings and investment required to drive the industrial sector at a rate fast enough to meet growth projections will depend on a number of domestic variables. Meeting the domestic

savings gap through external financing of investment has been a strong strategy in many developed economies. The issue of flow of investable funds into ECOWAS to meet domestic saving gaps has to be addressed for the necessary level of investments to be sustained. The investment function is a complicated relationship in which a large number of variables play a role that varies in importance in determining investment. The important point is for EPA to facilitate enough investment to sustain the growth of industries.

12. *Agriculture Growth*

The fact that the transformation expected from EPA should witness the structural shift to industrial development, agriculture remains an important part of ECOWAS and would remain so for a long time. As part of the export drive under EPA, the production of agricultural export has been recognized as a major part. Promoting tradable in the agricultural sector requires that the conditions for speedy growth of the agricultural sector are enhanced. EPA should improve on agricultural labour productivity. The Agreement should ensure that the level of technological transformation of ECOWAS agriculture and the availability of critical farm inputs are guaranteed. The important issue is that the gap between EU and ECOWAS in agricultural productivity should be narrowed. ECOWAS should, by EPA be able to ensure sustainable food security.

13. *Development of Agribusiness*

The development of small scale farmers is critical for the transformation of agriculture in ECOWAS. The EPA has to be benchmarked to the growth of output and productivity of small scale farmers and agro-industrial activities.

14. *Sustainable Food Security*

It is important to ensure that EPA does not undermine ECOWAS agriculture and that the ability to ensure food security is enhanced by the agreement. Assistance in developing appropriate technologies and best practices in agricultural production should result from the EPA.

15. *Infrastructure Development*

One of the most pressing constraints to growth in ECOWAS that could undermine the development aspect of EPA if not effectively addressed is infrastructure. A development focus EPA has to address the issue of infrastructure. The expected growth and change in output has to be supported by growth in investment in infrastructure. The issue of rapid development in transport, communication, electricity and water supply, as well as improvements in social infrastructure such as education health services and housing are critical for the attainment of development.

These are issues that individual ECOWAS countries have been facing for decades and have been articulating policies to address with limited success. To pass the development test EPA needs to facilitate radical improvements in infrastructure in ECOWAS. The region has to put in place the mechanism for region wide integration of some of these infrastructures and mobilize internal resources to address them. EPA should still be expected to assist in this process.

Adequate infrastructure will impact positively on the investment decisions of domestic and foreign firms and help drive the investment process so critical to sustain growth at the required levels. Manufacturing, modern farming and tradable services require good transport, communication, electricity and water services in order to function efficiently. SME and informal sector activities all rely on effective infrastructure to make adequate contribution to growth. Improved infrastructure will make ECOWAS economies more competitive by lowering the cost of input factors in the production process and improving their productivity. This is one indicator that should feature in benchmarking the EPA. If EPA does not improve on infrastructure it will most likely fail the development test. To benchmark it might be necessary to compare infrastructure indicators in ECOWAS to those of different groups of middle income countries or even EU.

16. *Human Capital Development*

Development experience all over the world has demonstrated that increasing living standards are brought about by growing labour productivity. In an increasingly knowledge based global economy, developing countries must develop human capital at a pace that would enable them compete. Increase in capital investment in both physical and human capital will increase labour productivity and make ECOWAS economies more competitive. The human factor in the development equation has been given more attention of recent. Entrepreneurship, skills and managerial capacity, have all been attributed to the success of growing economies. The development focused EPA would enhance human capital development in ECOWAS. It will facilitate the development of skills, and entrepreneurs and coupled with its promotion of physical capital grow the productivity of labour and the competitiveness of the region. This suggests that for benchmarking, EPA would be referenced on the pace of enhancing human capital development in the region. This could be in terms of reducing the gap between ECOWAS and comparable regions or the EU.

17. *MDGs*

Globally there is consensus that developing countries should meet set MDG targets by 2015. Meeting the MDG targets in the context of EPA is also an agreed target by both parties. Benchmarking around MDG targets would further ensure that the EPA framework accommodates global concerns around the MDGs.

18. *Human Development Index (HDI)*

HDI issued by the United Nations Development Programme (UNDP) shows the level of human development in countries and thus regions. A composite index of this nature is useful in determining how development is progressing in a given country or region. As shown in table 3, ECOWAS countries are characterized by low HDIs. EPA should be expected to change that picture. Benchmarking the EPA with HDI will ensure that the agreement proceeds with the development of HDIs in the region. This benchmark requires that the gap between the level of Human Development Index of ECOWAS and EU is closed for the agreement to proceed from a phase to the other.

19. *Development Index*

The development index reflected on the table is taken from the suggestions of the South Centre (2009). This index here extends the variables that would determine development. The South Centre and EU index are based on the GNP per capita of a GSP beneficiary country in comparison with the EU's GNP per capita and the value of the beneficiary country's manufactured exports in comparison to the value of the EU's manufactured exports. We have defined 20 variables that could be included in the formula for calculating the index.

20. *Financing*

The availability of resources to ensure that the development concerns of ECOWAS is address is critical for this benchmarking to be successful and for the EPA to be successful. The EPA Fund has to be established immediately to facilitate the restructuring necessary before the agreement comes into force. New resources outside the EDF have to be mobilized to supplement resources already earmarked as assistance to ECOWAS countries. Adequate resources have to be mobilized to cover the fiscal losses that country would encounter by the reduction of tariffs.

The Time lines

The time lines for the various liberalization regimes are determined by the ability of ECOWAS region to attain the set benchmarks. If in the course of implementation, ECOWAS as a region no longer fulfils the criteria listed for a given phase, it can discontinue its liberalisation process and modify its customs duty commitments. The liberalisation process will recommence after a moratorium period of five and would proceed after three consecutive years wherein the region fulfils the criteria set out for each phase. The moratorium of five years in the first instant is recommended to enable conditions developed for effective implementation of the EPA. At

the meeting of the Chief Negotiators of West Africa and the European Union held in Brussels in February 2007, both Parties agreed to the joint definition of EPA support measures and their financing by the European Community, as among the precedent conditions for the signing of the Agreement. ECOWAS has consistently emphasized the need to determine accompanying measures as priority in the process of negotiation and the implementation of those measures on which the agreement has to be based. The five years moratorium period is necessary.

Modality for Implementation

At the inception of the agreement both parties shall agree that the moratorium period of five years shall be observed within which the preconditions for a successful EPA shall be met. This would include addressing most of the supply side constraints that makes ECOWAS unable to be a strong partner. Agreement on the level of attainment of targets of the EPADP during the moratorium period shall be reached. Failure to reach these targets will stall the takeoff of the liberalization schedule. The start off will be delayed until those targets are met.

At the end of the first phase of the agreement a comprehensive review of the impact of the EPA on ECOWAS economies shall be undertaken and the level of the compliance with the set benchmarks ascertained. Failure to meet benchmarks would automatically suspend the liberalization schedule pending when benchmarks are met. The suggested formula would assist arrive at a single index. At the end of the second phase a similar review would take place with similar repercussions if benchmarks are not met.

A joint ECOWAS/EU body shall be assigned with the task of monitoring the implementation of the EPA and agreeing on the level of compliance to set benchmarks. They should report through the EPA implementation committee to both ECOWAS and the EU.

Conclusions

The major challenge for the West African region in the negotiations of an EPA with the EU is to arrive at an agreement that will drive development. The bottom line is to have an agreement that would address the long underdevelopment and marginalization of the West African people. To be valid in addressing the concerns of the West African peoples EPA should address the West African people rather than the states. It should promote greater integration of the peoples of the region and confront directly the issue of poverty. It should be more than a trade agreement but a development strategy to pull West African peoples from abject poverty into the mainstream of the global economy.

Critical for success is the ability of the agreement to ensure the necessary coherence between on the one hand, trade-related aspects such as free trade between the EU and West Africa, and on the other hand, aspects related to the harmonious development of the region. More critical still is to build into the agreement mechanism that would ensure that the objectives of the agreement are met. This report suggests that the best way of achieving this is to benchmark the agreement with development indicators. That way the continuation of the agreement will be predicated on the attainment of given level of development of West Africa.

West African leaders are committed to trade policy reforms which will promote trade and development. The challenge they face is the persistent poverty and underdevelopment of their economies and the fact that they remain at the bottom of the ranking of countries according to human development. Trade must lead to development if West Africa trade reforms are to be credible. The continued marginalization of the region in global trade has to be addressed if trade agreements are not to further marginalize them. In this regards EPA should be a dynamic tool which contributes effectively to the growth and development efforts of West African states so as to enable them to benefit from the positive effects of trade liberalization. Even though the Economic Partnership Agreements (EPAs) framework appears to have been conceived with sustainable development goals in mind, progress in the negotiations has yet to reflect this ambition. All sides agree that EPA should lead to a deepening of the regional integration process. This means that West African government must summon the necessary political will to speed up the integration process and put in place the necessary institutions and mechanisms to achieve this. Efforts at improving the competitiveness of the region so as to foster its growth and integration into the world economy have to be intensified.

The situation where 16 countries are negotiating on a single platform without an overarching binding ideology has remained problematic. What does development mean and how do we go about achieving it. Most governments accept the globally dominant neo-liberal ideology that is pushing for fast trade liberalization and dominance of global capital. In this regard, it is expected that foreign investment in the region would increase with the signing of an EPA. The expectation is that a trade agreement with the EU would facilitate greater economic cooperation between both parties driving direct foreign investment in West Africa and promoting development. There is little evidence that this would automatically happen.

The EPA is just one instrument in achieving the CDP. The ECOWAS/EU EPA must be articulated to ensure maximum contribution to the CDP. This means that the CDP must be well articulated and have the commitment of all member states. Eventually individual countries would have to accept their national programmes as complimentary to the community programmes. There are difficulties associated with the current stage of articulation of EPAs. Most evidence suggests that ECOWAS countries should move cautiously on trade liberalization with the EU. Lessons from other regions call for caution in trade liberalization and a proper sequencing of complementary, compensatory and institutional measures to counter possible negative impact of free trade. There is a need for strengthening real domestic capacity to supply goods and services as well to regulate them effectively to support developmental efforts. EPAs should focus on capacity building to promote sustainable development in both the private and public sectors, with an emphasis on training, research and development, and a sound regulatory framework.

In summary benchmarking requires the reduction and/or elimination of customs duties by ECOWAS be guided by determined development indicators. It requires linkage of liberalization with provision of development assistance and achievement of development benchmarks and thresholds. EPA should include clauses that ensure that benchmarks are met for the continuation of the agreement. It suggests that the adequate transitional period of not less than 25 years be adopted so as to build up ECOWAS capacity to participate effectively in global trade. This period is also necessary to enable ECOWAS economies be better integrated and the adequate policy space in respect of infant industries, revenue sensitivities and fiscal revenue system developed.