

THE ECONOMIC PARTNERSHIP AGREEMENT BETWEEN THE EUROPEAN UNION AND WEST AFRICA: SMALL BENEFITS AND NEW QUESTIONS

Since 2000, the economic relations between the African,

Caribbean and Pacific (ACP) Group of States and the

European Union (EU) have significantly changed with the signing of the Cotonou Agreement, which launched the negotiation of the Economic Partnership Agreements (EPAs). These are trade and development schemes aimed at creating seven free trade areas between the European Union and the ACP country blocs.

Indeed, until this development the EU was continuously criticized on the grounds that the non-reciprocal and discriminating preferential trade agreements offered by the EU are incompatible with the World Trade Organization rules. Preferences may only be granted to either the whole group of developing countries,

or the subset of Least Developed Countries (LDC).

The EPA is a positive development but its effects look very small.

The EPAs were supposed to take effect in 2008, but negotiations went much longer.

African countries in particular criticized certain elements of these reforms. The first criticism was that these trade regimes would not provide ACP countries with significantly better access to foreign markets. For example, among the 16 West African (WA) countries, 12 are LDC and as such have access to the EU through the Everything But Arms (EBA) initiative which gives them a duty-free, quota-free access for all goods except arms. Other WA countries benefitted from the Cotonou ACP preferences, but would lose those benefits if they do not sign the EPA; their exports would get into the EU under the Generalized System of Preference (GSP) scheme, which is significantly less beneficial.

AGRODEP is a Modeling Consortium of African researchers living and working in Africa with research interests ranging from economic modeling to regional integration and development to climate change, gender, poverty, and inequality. There are currently 183 members from 27 countries; our members work at top research institutions and universities in their own countries as well as various government agencies and non-profit organizations.

The benefits of being an AGRODEP member include opportunities for research grants, free access to cutting-edge economic research tools, data, and training. Members also gain access and exposure to large global networks of economic researchers and experts. [Click here to learn more.](#)

Second, the EPA involves a potential loss of public revenues associated with imports of European products in these countries. Import tariffs are an important source of public revenues in these countries, and for many countries the EU is the main source of imported goods. According to the GTAP database and the MIRAGRODEP model, EU represents 38.3 percent of Senegal's imports in 2015, 21.1 percent in the case of Benin, 33.5 percent for Burkina Faso, 33.8 percent for Côte d'Ivoire, and so on.

In response to these fears, the EU has accepted several concessions: the EU implements free trade for WA's products, while these countries only open partially their borders to European products and the time to implement this reform is more gradual for the African countries. Finally the EU has promised a Development Package.

What will be the impact of this trade agreement on WA countries? A recent study conducted at IFPRI¹ evaluates the benefits for African countries. The study is based on the MIRAGRODEP model and is complemented by a top down micro-simulation in order to study the impact of this trade

agreement on poverty in Nigeria and Ghana.

The study concludes that the impact overall is positive for WA countries, with trade, economic activity and welfare in these countries positively affected by the agreement. The impact on poverty is also positive.

Even so, this study raises a certain number of issues concerning the trade agreement.

First, the effects of this agreement are small, if not tiny, due the small reduction in trade barriers. The magnitude of the development package is also limited. By 2035 the poverty headcount at \$1.25 USD is projected to decrease from 47.45 percent to 47.42 in Nigeria and from 23.64 percent to 23.53 percent in Ghana.

Second, there is a substantial difference in the economic mechanisms at play between WA countries that are LDCs and non-LDC WA countries. For non-LDC WA countries, the increased exports will come from a simultaneous reduction in trade restrictions implemented by the EU and reduction of their own trade barriers on European products. For the LDCs of WA, the immediate impact of the agreement is only a reduction of

their protection on European products. More imports leads to a deterioration of their trade balance, which brings a real depreciation through a reduction of domestic prices. This internal devaluation contributes to restore competitiveness and positively impact exports.

Third, the EPA agreement raises the issue of a fiscal adjustment. To maintain public expenses and the provision of public goods constant, WA governments will have to find an alternative source of public revenues to custom tariffs.

Fourth, the study concludes that the implementation of the EPA should cause a contraction of activity in formal and urban sectors, in particular of public services, and an expansion of some informal and rural activities.

In conclusion, the EPA agreement is a positive development but its effects look very small. The main issue is that it leads to new questions concerning the impact on formal activities and the need for a fiscal reform in these countries.

Antoine Bouet
Senior Research Fellow, IFPRI

¹ Bouët, A., Laborde, D., and F. Traoré, 2015, The impact of the European

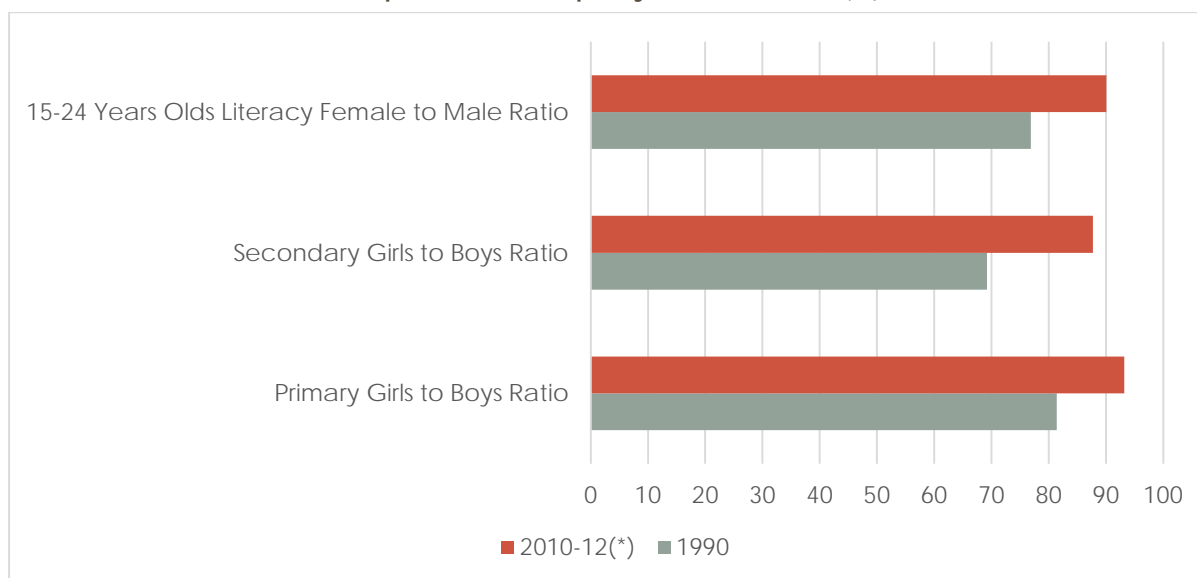
Union-West Africa Economic Partnership Agreement: small benefits

and new questions, IFPRI Discussion Paper, forthcoming.

DATA

Recent statistics about Africa

Graph 1. Gender Equality and Education (%)



Source: African Statistical Yearbook, 2015

* : 2015 for the 15/24 Years Olds Literacy Female to Male Ratio

The third Millennium Development Goal is to promote gender equality and empower women. One of the most important vehicles for this goal is education. Africa has been successful in this regard, even if there is still much work to do as shown in Graph 1. In particular, the female to male ratio of literacy among 15-24 year olds in Africa has risen from 76.9 percent in 1990 to 90.1 percent in 2015, although the trajectory of change can contrast greatly at the country level: in the Central Africa Republic, for example, it has progressed from 60 percent to 100.4 percent, while it has regressed in countries like Botswana from 110.5 percent to 65.9 percent.

UPCOMING AGRODEP TRAININGS

Training Course Series Continues

The 2015 AGRODEP training courses will continue in the upcoming months, starting with a course on [Applied Econometrics](#), instructed by Manuel Hernandez of IFPRI. This course will be held from September 28-October 2 and will focus on using Stata software to perform an extensive range of up-to-date statistical and econometric techniques to analyze microeconomic data.

The course on [Augmented Gravity Models](#), instructed by Luca de Benedictis and Luca Salvatici, will be held from October 5-9. This course will focus on the latest developments regarding the theoretical general equilibrium foundations of the gravity equation for trade and the empirical strategies to use to provide a more accurate estimation of the policy impact of trade flows.

Finally, the course on [Public Policy Evaluation](#), instructed by Guy Lacroix, will be held from October 28-30 and will examine recent methodological developments in the evaluation of public policies using Stata or R software.

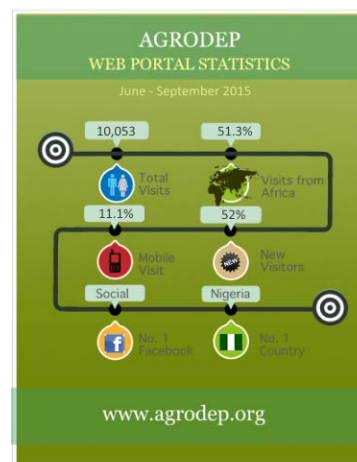
AGRODEP AT RESAKSS CONFERENCE

Side Event Focuses on Consortium Progress

Earlier this month, the AGRODEP Management Team organized a **side event** at the 2015 ReSAKSS Conference in Addis Ababa. “From Modeling Skill Development to Policy Analysis Support: A Future Roadmap for AGRODEP” provided an overview of AGRODEP’s capacity-building activities since its inception in 2010.

Over the past five years, AGRODEP has increasingly gained recognition as a major network of economic researchers in Africa. Led by IFPRI in collaboration with several partners, AGRODEP aims to position African experts as leaders in the study of strategic development issues in Africa and the broader agricultural growth and policy debate. AGRODEP facilitates the use of economic modeling tools and data, provides trainings and grants, and supports collaboration among researchers. Since its establishment, AGRODEP has provided 25 training courses on economic tools and techniques to 275 participants, awarded 40 research grants and 40 travel grants, hosted 4 members’ workshops and one global economic conference, and released 30 AGRODEP publications as working papers, technical notes, or data reports. The online library of resources holds 21 economic models and toolboxes and 280 datasets.

During the event, AGRODEP members **Lulit Mitik Beyene** (Ethiopia) and **Abdoulaye Seck** (Senegal) discussed their experience as AGRODEP members and feedback regarding membership activities. Members of the AGRODEP Management Team and Scientific Advisory Board outlined plans for the Consortium’s future, including an increased emphasis on modeling trade, impact evaluation, and value chain analysis.



NEW AGRODEP WORKING PAPER

Fifteenth Working Paper Released

AGRODEP released its fifteenth **working paper** this week. “**Modeling the Determinants of Poverty in Zimbabwe**” expands on existing poverty profiles to create a comprehensive poverty determinants model. Author **Carren Pindiriri** finds that poverty measures in Zimbabwe have often been understated due to a lack of data weighting and endogeneity. The paper concludes that poverty in Zimbabwe is most often caused by low household income, low educational achievement of the household head, larger household size, and location in an area unsuitable for agriculture. The author also offers several policy recommendations to address poverty within the country, including increasing family planning awareness campaigns, supporting educational opportunities for the rural poor, implementing investment-friendly policies to boost employment, and establishing land redistribution policies targeting poor populations, particularly those in rural areas that are not well suited to agriculture.

WHAT IS AGRODEP?

The African Growth and Development Policy (AGRODEP) Modeling Consortium is an initiative led by the International Food Policy Research Institute (IFPRI). The goal of AGRODEP is to position African experts to take a leading role in both (1) the study of strategic development questions facing African countries as a group and (2) the broader agricultural growth and policy debate, which traditionally has been dominated by external actors and concerns.

CONTACT INFORMATION

<http://www.agrodep.org/> • info-agrodep@agrodep.org

IFPRI-Dakar : Titre 3396 Lot #2 BP 24063 Dakar-Almadies
Senegal Tel: +221 33-869-9800 Fax: +221 33-869-9841

IFPRI-DC: 2033 K St, NW Washington, DC 20006-1002, USA
Phone: +1 202-862-5600 Fax: +1 202-467-4439