



THE COTONOU SCENARIOS

**NEGOTIATIONS ON THE
ECONOMIC PARTNERSHIP
AGREEMENT (EPA)**

BETWEEN

**THE EUROPEAN UNION
AND WEST AFRICA**

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INTRODUCTION :



P

REFACE

As part of the Cotonou Agreement, signed in 2000, the European Union and the countries of the ACP (Africa, Caribbean and Pacific) group agreed to remodel the framework of their trade relations, in order to make it WTO compliant. The new Economic Partnership Agreements (EPAs) negotiated were to come into force in 2008. However the negotiation of the EPA between the West African Region and the European Union did not come to a conclusion by the end of 2007, which led two West African countries (Ghana and Côte d'Ivoire) to sign individual agreements with the EU. The already complex negotiation position of the region, which regroups 16 countries with a wide variety of economic interests and capacities, was further complicated and additional pressure on the region to conclude an agreement before the application of the interim agreements challenged the regional customs union. Efforts thus continue to conclude an EPA for the entire region, with the aim of preserving and advancing regional integration while ensuring continued access to European markets.

The Friedrich-Ebert-Stiftung has accompanied the negotiations in West Africa since its launch in 2002, supporting state and non-state actors in their participation in the negotiation process. The complexity of the issues negotiated, the variety of interests in the region and the myriad of technical details have time and again posed serious obstacles to the effective participation of many key actors. Even though the negotiation is already well advanced, many of the actors concerned by the negotiations and their potential impact continue to struggle with the detail of the items negotiated and the implications of the different options before the region.

Scenarios are not to be confused with econometric impact assessments. They do not give a certain prediction of the future. But they do give a well informed and well founded impression of the broad choices that present themselves to the region, thus illustrating the impact of different technical options. They map out what the likely consequences of different negotiated results might be for the future development of the region. We hope that as thus the «Cotonou Scenarios» will enable more actors from West Africa and Europe to engage with the negotiation process. The scenarios illustrate that there is no easy choice available for the region and that many accompanying measures need to be put in place whatever the final outcome of the negotiations may be. A broader discussion on the path to be chosen and an open reflection on the different options is thus all the more necessary. The scenarios are intended to be fuel to such reflections and I look forward to many more lively debates based on and around these four scenarios in the months to come.

What gave the scenarios their very foundation were the joint efforts and outstanding input of the members of the scenario team, which consisted of twenty (20) experts, from ten (10) countries, all closely involved with the EPA negotiations and the issues surrounding them. They all participated in the various stages of the scenario building exercise in their personal capacity. The final scenarios



presented in this publication are necessarily a compromise between the diverse views represented in the team and reflect a consensus reached by the entire team. I would like to thank them all for their commitment to the project.

Special gratitude is due to my colleague Winfried Veit, of FES Geneva, whose long experience in scenario building guided us through the exercise and El Hadji Diouf, whose advice, unfailing support and penmanship were invaluable right up to the finish line. I would also like to thank the team of the South Centre, who made important contributions to the project and finally my colleagues of FES Cotonou and FES Geneva for their dedicated work throughout the process.

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Why Scenarios?

Winfried Veit

«We simply do not know.» This was John Maynard Keynes' famous comment on the future – and the main motivation for building scenarios. Human beings have been trying for centuries to forecast the future, in former times by consulting the oracle in Delphi, in present times by sophisticated trend extrapolation techniques. Military strategists, in particular, have always been keen in designing scenarios to be prepared for different situations. Later, the scenario technique was adapted and made operational for business as well.

Uncertainties complicate the scenario building process. As the future is completely unknown, everything is thinkable even though one might consider it improbable. Peter Schwartz got to the point by stating: scenarios are a tool to help us «make choices today with an understanding of how they might turn out» (Schwartz 1991: 4).

How do scenarios work? They do not spell out the only possible future, but delineate different futures. It is then up to decision makers to decide upon which future they prefer and which strategy they choose to reach. Scenario skeptics might criticize that a specific trend is exaggerated or the influence of certain factors is overestimated. Scenario advocates might accentuate that scenarios can be used as a mirror, showing reality in an unpolished way.

How are scenarios built? A scenario exercise starts by analyzing what is already known, i.e. the present situation. Current key issues in a specific area are agreed upon, dynamics that may play a crucial role in future are identified, and external events that could lead to fundamental changes are taken into account. Scenarios should be built by a heterogeneous team with different backgrounds and varying perspectives. Scenarios are not aimed at building consensus, quite the contrary; they need controversial debates to paint different and nuanced pictures of the future. Scenarios should be consistent and plausible even though «some parties to the [scenario] exercise may regard certain scenarios as exceedingly unlikely and undesirable, but no one should be able to prove any scenario impossible» (Lempert/ Popper/ Bankes 2003: 30).

Schwartz, Peter (1991): The Art of the Long View. Planning for the Future in an Uncertain World, New York/London/Toronto/Sydney/Auckland: Doubleday

Lempert, Robert J. / **Popper**, Steven W. / **Bankes**, Steven C. (2003): Shaping the Next One Hundred Years. New Methods for Quantitative, Long-Term Policy Analysis, Santa Monica/ Arlington/Pittsburgh: RAND



EXECUTIVE SUMMARY OF THE COTONOU SCENARIOS

A full liberalisation agreement. And come what may!

The West African region signs a comprehensive EPA with the European Union. All fields are included: goods, services, intellectual property, etc. A development programme financed by the European Union is part of the agreement to facilitate its implementation. But the impact on the region is disastrous. The rediscovered regional unity does not provide the means to benefit from the EPA. The region is faced with massive importations at low prices. Its industry no longer produces and dies. Its agriculture deteriorates. It does not benefit from the delocalisation of services.

Scenario 2: A partial liberalisation agreement: a bright hope!

The West African Region signs a partial interim agreement with Europe. Only trade in goods is concerned. The outlook is good. The EPA serves as leverage for regional integration. The regional institutions put sector based policies in place to prepare further negotiations in other areas. The level and timing of liberalisation are reasonable. The region finds a good rhythm for its market opening. Agriculture and industry develop as they benefit from appropriate protection measures.

Scenario 3: One region, three agreements, zero integration!

Negotiations stall. There is no regional EPA. Côte d'Ivoire and Ghana maintain their EPAs and privileged access to the European market. Nigeria stays within the GSP and is faced with tariffs on the European market. The status-quo prevails. The regional integration process goes to pieces. The industrial tissue of the region becomes fragile. Agriculture deteriorates. Each country defines its trade policy, independently of regional interests.

Scenario 4: Neither agreement! Nor God! Nor Master!

Negotiations stall. There is no regional EPA. The countries that already signed or initialled renounce their agreements. It is back to the starting line. The regional integration process is saved and pursued at the region's rhythm. The LDCs still have privileged access to the European market under EBA. The non-LDCs lose fiscal income and are faced with financial difficulty. The entire region uses the opportunity to diversify its partnerships with other regions of the world. But the road towards development is long.

THE COTONOU SCENARIOS:

- I A full liberalisation agreement.
And come what may !

- II A partial liberalisation agreement:
A bright hope !

- III One region, three agreements,
zero integration !

- IV Neither Agreement ! Nor God !
Nor Master !

Scenario 1

A FULL LIBERALISATION AGREEMENT. AND COME WHAT MAY!

"To move forward is to die. To step back is to die. So best move forward and die!" African proverb

The trust that prevails between the ECOWAS countries and the EU has never been greater. After initial suspicions, everyone now seems to understand that the historic trade relations between the two partners must be protected. Taking into account each other's interests, a full EPA encompassing goods, services, intellectual property and other new issues is signed. 80% of the West African market will be liberalized in the space of 15 years.

Liberalising the trade in goods doesn't pose any particular problems. The principle of open markets is established, as is the fact that not all trade between the two partners can be liberalised. The ambitious opening of the West African market is the materialization of a real ambition to do business together and to not run any risk of their agreement being called into question by the other members of the WTO. The market for trade is enlarged significantly. European products enter the region with greater ease and its export needs are handled better, especially in the areas of capital goods and manufactured goods. What is more, the region seems to stand to gain too. Intra-regional trade is still very low. The increase in the level of imports will correct this weakness, at least in the medium and long term. In addition to this, West African consumers are pleased because they realise that the reduction in tariffs on imports means that they can choose from quality products at competitive prices compared to local products, in the long term.

But even though the region was able to maintain its unity in signing a regional EPA, the region isn't ready to implement the EPA. It doesn't have sufficient administrative, technical and financial capacities to do it. Existing institutions are not equipped to cope with the delicate nature of new subjects which are of crucial importance for the sub region either. The fact that they do not master intellectual property issues, for example, does not guarantee that these specific interests will be taken care of, when it comes to both negotiation and implementation. Furthermore, a full EPA continues to encounter outside problems which may cast doubt on the anticipated impacts. The world has changed a great deal in recent times. The financial crisis has become a global economic crisis. Climate change makes it impossible to predict the course the world may take in the future. The food crisis persists. Oil prices are on the rise. Poverty is increasingly pronounced in West Africa. Ever lower



incomes no longer guarantee a living wage for the most destitute. In terms of economic development, the region is exposing itself to significant risks, especially in terms of industry, agriculture, services and investments. Small industries which haven't had the time to consolidate their position are totally destroyed and all the industrialisation endeavours initiated in recent years are jeopardized. Most jobs are destroyed, with greater risks for unskilled jobs in the short term. In the long term, even skilled jobs will not be spared if near all domestic demand is met by imports from Europe. The region thus becomes a vast market for foreign products and all local initiatives are doomed to failure. All the proclaimed commercial advantages will never materialize if the domestic production force disappears and if sections of the population have lost their purchasing power after losing their jobs. A region like this, which is first and foremost an importer and no longer produces itself, can no longer set up the necessary infrastructure for it to develop. Neither can it guarantee an environment conducive to foreign investment. The business climate worsens and West Africa loses all of its appeal. All the trading opportunities built on years and years of work to ensure the region a real capacity to supply collapse like a house of cards. The region is now nothing more than part of the European single market.

The region's agricultural sector is in a very bad position. Producers from the region have to cope with the increase in imports. The region's market is open. Europe seizes the opportunity to flood it with its products. Local products face a new type of competition which they are ill-prepared to cope with. Worse still, the increase in imports is facilitated and accompanied by the domestic support measures granted to European producers. The prices applied in the West African Region are lower than competitive norms. Local consumers do well. Local producers can no longer cope. Entire industries are endangered. Local poultry, potatoes and tomatoes are no longer selling. Underemployment is gaining ground. Dependence on imported food products is a reality. Purchasing power collapses. Poverty sets in.

The rules of the market game are not respected and the region's agriculture is dying. The final hope is in the volume of agricultural products that the region can put on its list of sensitive products. Obviously, 80% market liberalisation dooms it. To stay alive, the region gives itself extra guarantees. Trade protection measures are planned. Safeguards, antidumping tariffs and compensation levies are initiated. Mass imports are limited by quotas and temporary customs surcharges. The region protects itself without surrendering to protectionism.

The liberalisation of services and investments is established. All service sectors are included in the EPA. No major sector is left out. Despite the rejection of the principle of negotiating the issue of investments at the WTO, an agreement comes into effect between the two partners. The same is true for the other «Singapore» issues (competition and public procurement). In terms of regional integration, serious coherence problems arise. The absence of a regional framework on these issues has promoted the multiplicity of national legislations being used. The impact of the liberalisation of services on the region's economy is mitigated overall. The system has its weaknesses and its strengths. On the one hand, the skills of service providers are suitably recognized by the European countries. This seems to mean a good opportunity for job creation for millions of professionals in the region,

and an increase in their purchasing power. The same effect is visible in all the other support sectors which benefit from the overall development of services and investments. The knock-on effect benefits small and medium subcontractors or service providers. Multinationals which set up in the region also develop service networks that benefit above all local populations. On the other hand, the National Treatment Clause prohibits discrimination against foreigners to the benefit of nationals. These small and medium enterprises which are potentially those to benefit from the system face competition from offshore service providers. The jobs promised and the capital amassed are no longer there just to benefit the region. In the short term, the social impact is negative to the point of triggering political tensions. In the long term, it could however create new opportunities, create interest in new careers, update additional training needs and create jobs.

In terms of trade relations, the mobility of service providers from the region remains low. Problems in accessing the European market for nationals of the region persist. The liberalisation of services, especially in the area of free movement of people is a one-way street. West Africa doesn't benefit from it. West Africa calls for support measures which take into account the difference between its level of development and Europe's. It proposes and devises an EPA Development Programme (EPADP). It even makes it the precondition to signing any agreement. Europe goes along with it. An initiative of this kind has a positive effect on the economic integration of the region. It accelerates the elaboration process and the entry into force of the ECOWAS Common External Tariff. It promotes the development of a general framework for investments and competition which are the driving force to accelerate the regional integration process. Regional sector-specific policies are initiated or revived. Governments and their peoples have a heightened awareness of the need for regional integration and the establishment of a Customs Union as quickly as possible.

Putting this development fund in place lessens the risks related to too high a degree of liberalisation in the region. It gives people and the business community more room to manoeuvre in managing the economic initiatives they are involved in. The short-term loss of competitiveness, the restructuring of local industries, the support given to administrations to harmonize customs procedures and compliance with international standards as well as support for farmers are tackled by the EPADP in order to develop the necessary supply capacities to facilitate access to the European market. This mitigates the negative effects arising from a wide-scale opening of borders to services and agriculture. In the long run, improvements can be envisaged. The region does not switch to a high-performing, diversified agricultural sector overnight, but it consolidates its strengths. It plans structural reforms which will allow it to process its products and to position itself as an exporting market. In the same vein this injection of funds allows industries in the sub region which have a respectable level of competitiveness the opportunity to develop. The low price of process equipment and machines from Europe are a good opportunity to acquire new technologies, reduce their cost and increase their production. But the opportunities of the PAPED are conditional upon their thoughtful and effective use. Sector-based policies are carefully developed. Accompanying measures and objectives are clearly defined. Above all the PAPEDs allocation is exclusively reserved for the EPA related development programmes that were defined during the negotiations.

Scenario 1



Scenario 2

A PARTIAL LIBERALISATION AGREEMENT: A BRIGHT HOPE!

"Much work may already have been done, but there remains far more still to do"
African proverb

The negotiation deadlines are too short for West Africa to be able to properly explore all the issues affecting the different sectors. To preserve what has already been achieved and to be sure to come to a balanced agreement for both parties, ECOWAS and the EU sign an interim EPA which only covers goods. The level of liberalisation is 60%. The timeframe for implementation of the EPA is 25 years. Rendezvous clauses are inserted to postpone negotiations on services and intellectual property until a later date. The region expects first to equip itself with regional protocols on these issues, before considering liberalising them as part of an EPA. Other new issues, such as competition, investments and public procurement will be the subject of cooperation agreements separate from the EPA.

The liberalisation scenario of 60% gives West Africa greater flexibility in terms of managing its trade policy. Especially if it is accompanied by a timeframe for liberalisation extending up to 25 years, starting in 2010. The region can see where things are headed. It can reconcile the needs of its endogenous development and its obligations arising from the EPA. It can open up without destroying itself. It can dictate its own pace whilst staying open to the rest of the world. Of course European products are less present in the region. Local industries continue to produce and to take care of domestic demand in line with their real production capacity. They develop and prepare themselves properly to face international competition. The different production sectors in the region benefit considerably as a result. Agriculture, for example, is better protected, taking into account its different economic and social roles. Overall, the list of sensitive products excluded from liberalisation is longer in number. And here each country in the region is given the opportunity to protect its most vulnerable products, in the interests of both producers and consumers. The local market is thus preserved and the major balances in the countries and the region maintained. From now on, nothing stops governments from pursuing their policies to support industries and crafts to prepare them for international competition in the medium and long term, and to guarantee consistent domestic production.

For regional integration, there are more pros from this than cons. The risk of turning away from intra-regional trade still exists. The risk of trade focusing on European markets is also still a real one.



But the EPA acts as a lever to accelerate and increase intra-regional trade. Provided that appropriate support measures are in place. The rules of trade are easily predictable and programmes facilitate operational trading. All of this is shored up by strong political will.

The regional interim EPA interacts with new phenomena and suffers repercussions as a result. Climate change is an additional challenge for the region, given its negative effects. Production drops. Food insecurity takes hold. The region's vulnerability becomes increasingly worrying. The EPA integrates these new dimensions specifically. A clause on the prohibition of activities with a negative impact on climate change is included. The cooperation between the region and Europe is reinforced in the different areas linked to climate change. New challenges are addressed jointly. The same holds true for the financial and economic crisis. The crisis has negative effects that make it difficult to implement the EPA well. Loans and other sources of finance decrease. The prices of basic goods fall. European demand shrinks. Productivity and competitiveness dwindle. But negotiations have taken these facts into account. The region's vulnerability is addressed in the EPA. A vulnerability fund is set up. A support mechanism is created to ensure a macro-economic balance. Existing regulation mechanisms are reinforced. For the EPA to be viable, room for manoeuvre proves necessary both when it comes to continuing negotiations and implementing the agreement. The EPA meets its objectives.

The regional interim EPA poses mitigated effects for the region. There are just as many positive impacts as there are negative ones. In terms of economic and social development, agriculture, industry and services are the most salient measurement instruments.

The agriculture in the region develops substantially. Exports increase on the basis of existing potential. Harmonised sector-based policies are devised in cooperation with all concerned actors put into place for the exclusive benefit of the sector. The future thus looks promising provided that all untapped potential is harnessed. More specifically, in the region's countries the banana maintains the rights long-acquired with the Lomé system and the Doha derogation of 2001. The EPA continues to guarantee access free from tariffs and without quotas on the European market. The advantage is considerable. Wherever the region exports with zero tariffs to Europe, the competition has to face MFN rates equivalent to • 175 per metric ton. The reduction of MFN rates will diminish the regions competitive margins, but its tariff and quota free access to the European market does continue to provide a definite commercial advantage. Whilst globally, support programmes are planned to help agricultural production, the region will be able to benefit a great deal from existing potential.

For the region's industries, it's a good opportunity to get up to speed technologically. Substantial gains are made by importing equipment and material inputs. The industries perform better, are more productive and in turn more competitive. Specific programmes to improve competitiveness and facilitate access to the market are implemented. Exports in industrial products increase considerably. However this potential is subject to measures put in place to protect small fledgling industries, with effective safeguard clauses. Otherwise the market opening will prove to be brutal. The industrial structure of the region deteriorates. Fragile and/or nascent industries disappear little by little. Jobs are lost. New jobs are not created. Unemployment amongst young people and

skilled workers is at its peak. Not only are households poor, but the states and regional organisations suffer considerable losses of revenue. The effects on public finances are tangible. In areas as sensitive as education, health and water, there are unprecedented budgetary cuts. There is the risk of social unrest. The evidence is undeniable. The fledgling industries of the region are no longer in a position to face outside competition. Appropriate dedicated protection measures have to be developed for them.

Services are subject to a *Rendezvous Clause*. Negotiations will not start for another three years. A specific schedule taking into account the interests of both parties is defined. A list of specific commitments from the region is established on the basis of the activities to be undertaken in the different service sectors up for liberalisation. Major sectors such as the financial sectors are excluded. Priority is given to an autonomous intra-regional liberalisation. The region puts in place a strong and binding regulatory framework. Sector-based negotiations are supported by launching sector-specific programmes which take into account the need to reinforce capacities in priority areas.

The Singapore issues (investment, competition, public procurement), for their part, are excluded from the EPA. Just like at the WTO, the region is not prepared to negotiate them. Nor incorporate them into a liberalisation agreement. They are not governed by the *Rendezvous Clauses*. At most, they are the subject of cooperation agreements with Europe. From now on, the region has the time it needs to put in place the regional regulatory frameworks, using a participatory process. It maintains self-regulation powers for these issues. Even so, doubts persist regarding the improvement of the business climate in the region. Investors remain prudent. Regional public procurement gives preference to regional businesses. Financial flows do not live up to expectations.

In purely trade terms, the interim EPA, as it only covers goods, poses no major problem regarding compatibility with the WTO. The risk of other WTO members contesting the agreement is nearly non-existent. The article XXIV of the GATT is consensually interpreted in an extensive manner. Leeway for developing countries is not explicitly mentioned there. Neither is it excluded. The spirit of the Doha development round prevails. The asymmetry between West Africa and Europe is taken into account when defining the parties' obligations. The idea based on article XXIV of the GATT that it is the weighted average of the degrees of liberalisation of the two parties that is definitive for determining the degree of coverage of the EPA is established. The West African region opens 60% of its market. Europe opens 100% of its market. The EPA trade coverage rate is 80%. It is compatible with the WTO's stipulations. The EPA will be implemented over a period of 25 years. This is also compatible with the WTO. Liberalisation takes place at a pace which is in line with the interests of the region. The region prepares itself for increased international competition in the medium-term and develops strengths.

The European project to introduce the MFN clause into the EPA has not materialized. The region can make other trade offers to developing countries without extending them to the European partner. It can thus have control over its choice of trading policies. It can continue to diversify its partnership with other countries in the South, without a hitch.



For the countries in the region, non-tariff barriers remain major obstacles to accessing the European market. Sanitary and phytosanitary measures still go beyond the standards defined by the WTO, without the risks that are cited as the reason ever having been scientifically proven. To put an end to this protectionist stance, the EPA contains a stipulation which obliges Europe to provide compensation, should the application of the precaution principles not be confirmed by scientific proof of the stated risk by a set deadline. Technical and administrative obstacles to trade, as well as rules of origin are still just as rigid. But setting up assistance measures through the EPADP reinforces the positive impact of the EPA.

Scenario 3

ONE REGION, THREE AGREEMENTS, ZERO INTEGRATION !

"When the thunder rumbles, everyone puts their hand on their head"
African Proverb

Negotiations stall. Each party seems to be happy with their own status quo. The West African region doesn't make signing a regional EPA an absolute priority. The LDCs in the region are over the moon that they can continue to access the European market without having to pay tariffs or quotas thanks to the Everything But Arms Initiative, without signing an additional agreement. The Côte d'Ivoire is happy to have signed an EPA that distances it from the threat of the SGP. Its access to the European market is safeguarded, without any loss of revenue. Ghana is in the same situation with the same effects. Nigeria, not being able to benefit from the Everything But Arms Initiative due to its status as a developing country attempts to benefit from the European SGP Plus. To no avail. In spite of some rumblings of discontent, it does not decide to sign an individual EPA and remains governed by the SGP. It's the status quo that prevails.

Regional integration sustains a heavy blow as a result. Three distinct trade regimes coexist in the region: EPA, GSP and EBA. Nigeria is the one to lose the most, not having maintained access exempt from tariffs and quotas. Each country tries to get out while the going is good through their own trade policy. The regional solidarity so often cited goes up in smoke. Europe no longer has one single interlocutor in the region. Better still, it gains access to the market in the other countries thanks to the point of entry it secured with the Côte d'Ivoire for the UEMOA countries, and with Ghana for the ECOWAS countries. The rules on the free movement of goods in the regional integration areas open up indirect trading opportunities for it. Its goods are in circulation throughout the sub region at the great displeasure of the countries which are not signatories to an EPA. Nigeria above all feels cheated to not have facilitated access to the European market. And to have to accept unrestricted access to its markets for European products. To survive, it no longer plays the game of regional economic integration. It shuts itself off and blocks access for regional products thought to be of European origin. Its borders are closed with a view to filtering European imports and preventing them from entering through the «back door».

The regional integration process slows considerably. ECOWAS' CET, which was almost finalized, is suspended. That of UEMOA, which has already come into force, is no longer operational. The



regional customs union goes up in smoke. Setting up a free trade area with Europe, in the form of an EPA compatible with the WTO becomes impossible. All the liberalisation plans underway in the region have broken down. Worse still, the momentum of regional sector-specific policies born out of the EPA negotiations is halted. The dream of a common market and single currency is mortgaged. Intra-regional trade is virtually destroyed and external imbalances increase.

The community institutions in the region, presented as the most operational on the continent, have problems functioning. The commission and the regional parliament work in slow-motion. The feeling spreads amongst the countries' populations that they don't serve much of a purpose, at least when it comes to trade.

The situation isn't any rosier in the field of economic and social development. The countries have lost faith in each other. After having long nursed the hope of sharing their economy and being better equipped to face the rest of the world, they realise that individual solutions will have to do for the time being. Intra-regional trade drops considerably. Small-scale artisans and traders are hit hard. Small and medium enterprises suffer losses of earnings which have a direct impact on households. Farming and breeding hit hard times. The expected results of the common agricultural policy (ECOWAP) fail to manifest. Agricultural production remains predominantly family based and imports of foodstuffs increase. The region lives under the constant threat of chronic food insecurity. The rural areas are depopulated. In terms of trade, the increased protection of agricultural goods in a fifth band is no longer effective. The region's borders stay wide open, to the detriment of local production, which is faced with unbearable competition from imported foodstuffs.

The industrial fabric of the region becomes fragile. Supply capacity is reduced. The opportunities provided by the different trading regimes in the region are not fully harnessed, due to a lack of sufficient competitiveness. Production capacity crumbles. The trade imbalance tips further in favour of Europe. At the same time, economic growth drops unavoidably. Community structures are slowly destroyed because of the implicit renunciation of a coherent regional development strategy. Regional institutions which no longer have legitimacy or any use against this backdrop are seen as a huge drain on resources. They have great difficulty in implementing any development policies other than trade ones. Faced with a situation like this, the now somewhat shaky and divided region no longer attracts capital and investment. The tough daily economic reality of the States gets the better of years of constructing a regional integration process which, finally, has proven to be nothing but a myth.

In strictly trade terms, the situation isn't any better. Special relations between countries taken individually and Europe increase. Each country tries the experiment of diversifying its trading partners by opting for bilateral agreements with other counties and/or regions of the world. They reclaim a trade sovereignty that the first shoots of integration had cut into. But their ability to negotiate is greatly reduced. They provide interesting access to trade, but their market is limited. They negotiate from a position of weakness, confronted with a lack of capacities at both an institutional and financial level.

The economic vulnerability and the absence of large groups lead to a strong resurgence of international economic institutions: WTO, IMF, World Bank. Their influence on economic policies and the governance of these countries is bolstered. Structural adjustments are back on the agenda, furthered by the financial and economic crises. The region loses the opportunity to draw up and implement coherent and effective regional responses and to test new development paradigms. The *status quo* situation with a multitude of trade regimes within the region is depressing. It is a far cry from the stipulations of the Cotonou Agreement which is the basis of the future EPA. This Agreement linked any trade agreement to a requirement of regional integration. Consequently, the primacy of individual solutions leaves no room for opportunities to create a positive impact. Whilst each country may be under the illusion of having been saved individually, the collective malaise arising from the awareness that opportunities have been wasted is stronger. Difficult to be optimistic against this backdrop.



Scenario 4

NEITHER AGREEMENT ! NOR GOD ! NOR MASTER !

"If you don't know where you're going, then return to where you've come from" African proverb

West Africa has not come to an agreement with Europe. There is no regional EPA, and certainly no interim EPA. The countries that had signed or initialled interim EPAs cancel their agreements. There is still access to the European market, especially for LDCs, exempt from tariffs and quotas. The developing countries remain subject to the traditional GSP. Nigeria benefits from the GSP Plus.

For the Côte d'Ivoire, terminating the EPA it has already signed is not just purely theoretical. The political situation is tense. The elections projected to take place soon are expected to lead to a reshuffling of the cards. The general public does not want to embark upon a trade agreement that will commit it for a long time without being able to master the social and economic impacts. There is strong political pressure on those in power who finally decide to terminate the EPA. The financial, economic and energy crisis worsens. The region tries seriously to reconsider its interests. It unites. The Côte d'Ivoire, the driving force of the WAEMU and a key player in the ECOWAS region does not falter. It remains steadfast and tries to pick up the pieces. It is determined to do all it can to save regional integration. Solidarity starts to take on an organized form. The LDCs still don't want to sign. The non-state players in the region, in a collective drive, initiate an advocacy campaign which does not fall on deaf ears amongst the Côte d'Ivoire authorities. The authorities of the regional institutions are sensitized around the idea of compensation for developed countries which wouldn't sign an EPA and which will have to make do with just the traditional GSP instead. A regional compensation mechanism for countries' loss of earnings is therefore put in place. The situation is fuelled above all by the continuing lack of agreement between Europe and the region in negotiations, including in setting up the EPADP. The Côte d'Ivoire feels supported. The spectre of a net loss of revenues recedes. The EPA is terminated.

The situation is virtually the same for Ghana. Except that, without a signature, the cancellation of the EPA is less binding politically and legally. The LDCs of the region refuse to sign an EPA and join forces. The non-state players launch their advocacy programme. Government authorities and parliamentarians are responsive. The compensation mechanism is put in place. The financial and



economic crisis persists, but Ghana develops new economic opportunities by tapping its oil reserves. People no longer fear a loss of tax revenue. The EPA is cancelled.

Nigeria is tempted to find an individual solution. It is the only country in the region to really suffer as a result of the end of the Lomé conventions and the WTO derogation expiring in December 2007. Finally, Europe decides to allow it into the GSP Plus. This facilitates once again its access to the European market and the spectre of a loss of tax revenues recedes. Non-state actors stepped up their advocacy and the compensation system is put in place. But, above all, Nigeria is really aware of its status as leader in the process of consolidating regional integration and decides to assume its responsibilities.

More generally, the different positions irradiate a widespread awareness that regional integration has to gain the upper hand over a strictly trade-based EPA which would break up the region. And yet, disagreements persist on the EPADP. The timing is too tight for the region which doesn't feel prepared to commit. The region wants to give itself another chance to reconfigure and find appropriate solutions to the prevailing crisis. All the LDCs refuse to commit. The West African region finally rejects the EPA.

With neither an individual EPA nor a regional EPA, the region is confronted with itself. It seems to have its fate in its own hands. The impacts are generally positive, but also very different, depending on whether you consider the region itself, the LDCs and the non-LDCs.

Finally, the region takes charge of itself! Whilst the present is certainly difficult, the region consoles itself with the hope of a bright future. Finally! Integration takes place at the region's own pace. Regional solidarity is bolstered. Intra-regional trade is promoted. Trade increases. SMEs, traders and artisans all benefit. Families' purchasing power increases and people's quality of life improves. The region seizes the opportunity to diversify its trading partnerships with other regions in the world. But this world without EPAs is not as idyllic as it appears. The EPA negotiations had remobilised the countries of the region around the need for regional integration. Their suspension produces the opposite effect. There is a real risk that the pressure for regional integration will let up. On top of this is the fact that some countries continue to lose export revenues. That the cost of goods and services imported from the EU increases. And above all, that development assistance for the region from Europe drops drastically, in spite of the promises to keep aid separate from signing the EPA.

The problems of the present are real. They don't leave room for euphoria. The compensation mechanism which is the foundation of the renewal of regional solidarity between the LDCs and developing countries has problems being effective. It is based on an obvious economic paradox. The LDCs don't have the resources to cope with this type of compensation budget. And the poorest are poor enough to not expect to find financial solutions from the wealthiest countries like Ghana, the Côte d'Ivoire and Nigeria. Regional institutions aren't better off either. They live off community contributions. Financing the compensation mechanism is too much for them to cope with. The promises of regional economic and financial solidarity cannot come true.

The non-LDCs in the region (Nigeria, Côte d'Ivoire, Ghana) once again face customs surcharges linked to the end of preferential trade terms. So they lose out. Especially if European aid decreases at the same time. The loss of tax revenues and the drop in European aid considerably weaken the financial capabilities of the countries which are the driving forces of the region. The international crisis also comes into play. And the region's production capacities are undermined. Small and medium enterprises are no longer able to cope with their needs. The region deindustrialises. Jobs become scarce. Purchasing power crumbles. Poverty sets in. The diversification of trade partners remains a possibility. But the loss of trade preferences causes an economic harm that is difficult to correct in the short run.

However the regional market presents trade opportunities which could mitigate these losses. The new hope is born that the region can devise medium or long-term development policies and come out of the multi-sector crisis it is facing. A substantial regional instrument to combat dumping is set up. Family farming is promoted and better protected. Better yet, the common agricultural policy (ECOWAP) of ECOWAS gains new momentum. The region is conscious of the need for a minimum level of protection of agriculture. A fifth tariff band favouring agriculture exclusively is put in place. The volume of imported foodstuffs decreases. Food security becomes a reality. Agricultural production capacities are increased to the extent that West Africa develops industrial export structures out of its surplus production. As Europe is no longer seen as an exclusive trading partner, new markets are explored with varying success. Trading partners become more diverse. Industrial goods are given a new lease of life thanks to processing capacities. Small and medium enterprises develop. Purchasing power increases. At the same time the regional financial market focuses on itself once more and offers new development opportunities to small and medium enterprises.

The LDCs will certainly remain LDCs for some time yet. What has been gained in terms of regional integration is lost in the delay in upgrading businesses. But the appeal of the markets of emerging countries helps them to increase the volume of trade in the medium to long term and gives them a new momentum. A new demand is created. New export opportunities offer themselves to small and medium enterprises in the diversification of trade partnerships towards other countries of the South. They benefit from considerable waves of delocalisation in strategic industries, such as automobiles and information technologies. Technology transfers take place. Employment is created and the economy takes off again. At the same time the LDCs benefit most from the new trade focus on the countries of the region. Their overall situation is not bad. The European market remains accessible to them, intra-regional trade intensifies and the markets of emerging countries of the South open themselves to them.

The region as a whole regains its confidence. It looks forward to a more promising future, whilst being aware that the road towards development will be a long one.



ANNEX:



THE PATH TOWARDS SCENARIOS

The FES scenario project on «Negotiations on the EPAs between the EU and West Africa» lasted from December 2008 to June 2009. It applied the methodological framework of the Shell scenarios (Shell International 2003). They comprise four phases, i.e. research, scenario building, application and dissemination. The scenario building phase consists of three pillars, which are orientation, building and affirmation.

The FES scenario project was led by the directors of FES Benin and Geneva and their coordinators. They managed the process and guided the scenario team, which consisted of two groups, one meeting in Geneva, the other in Cotonou. Meetings in Geneva and Cotonou alternated between December 2008 and March 2009, each group developing the other's results further. The entire scenario team came together for a scenario building workshop in Cotonou in March 2009. In the following, the scenario building phase of the «Negotiations on the EPAs between the EU and West Africa» project is described in greater detail.

1. Orientation

Step one: Defining the theme

To define the subject of the scenario exercise we looked at the current state of the EPA negotiations between the European Union and West Africa. After intensive discussions with the scenario team, we agreed to focus the scenarios on the impact various plausible negotiation outcomes would have on regional integration, the economic development of the region and its trade relations.

Step two: Analyzing the present system

After having defined the theme, the orientation workshop focused on analyzing the potential disadvantages and advantages of the EPAs. For the two brainstorming sessions, the metaplan© technique was applied. During the «Sunshine» and «Wailing Wall» sessions, the scenario team identified the «pros» and «cons» of possible negotiation outcomes.

Step three: Identifying driving forces

Driving forces are external factors that have the potential to push a system into different directions. «They are the elements that move the plot of a scenario, that determine the story's outcome» (Schwartz 1991: 101).



Step four: Identifying critical uncertainties

Critical uncertainties are disturbing events or discontinuities that could lead to a radically changed environment. They cannot be predicted, but they might happen. The major critical uncertainty identified in the present case was the impact of the global economic crisis.

2. Building

Step five: Telling stories

The scenario team members then elaborated individual stories on what the outcome of the EPA negotiations could be and how this might impact on the West African region. These stories were clustered into two groups. Stories in the first group assumed the signature of an EPA, full or partial, regional or bilateral. Stories in the second group, described the failure of negotiations and a future either entirely without an EPA or with only the interim EPAs already signed/initialed. The clustered stories formed the basis for the scenario building workshop.

Step six: Building the scenarios

During the building workshop four groups sketched out draft scenarios along the same lines. The groups delineated draft scenarios, which were then presented to and discussed with the entire scenario team.

3. Affirmation

Step seven: Writing and testing the scenarios

Based on the results of the building workshop, four draft scenarios were written. The scenario team tested the scenarios against their plausibility, consistency, differentiation, comparability, clearness and transparency before they took on their final form in the present publication.

Shell International (2003): Scenarios: An Explorer's Guide, London: Shell International, http://www-static.shell.com/static/aboutshell/downloads/our_strategy/shell_global_scenarios/scenario_explorersguide.pdf (consulted on 27 April 2009)

Schwartz, Peter (1991): *The Art of the Long View. Planning for the Future in an Uncertain World*, New York/London/Toronto/Sydney/Auckland: Doubleday

LIST OF ABBREVIATIONS

CET : Common External Tariff

EBA : Everything-but-Arms

ECOWAS : Economic Community of West African States

EPA : Economic Partnership Agreement

EPADP : Economic Partnership Agreement Development Programme

EU : European Union

GATT : General Agreement on Tariffs and Trade

GSP : Generalised System of Preferences

IMF : International Monetary Fund

LDC : Least Developed Countries

MFN : Most Favoured Nation

WAEMU : West African Economic Monetary Union

WTO : World Trade Organisation

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