**South Centre and SOL estimates of WA losses of customs revenues in the WA EPA**

Jacques Berthelot, SOL, October 8, 2016

The percentage of WA imports (at FOB values) from EU28-UK that will be liberalized was of 76.3% in 2015, from 67.7% for Ivory Coast to 82.1% for Nigeria. The percentage of import duties (ID) on liberalized products on all EU28-UK FOB exports in 2015 was of 61% for WA, from 48.8% for Ghana to 74.2% for Nigeria.

The losses of ID from T5 to T20 can first be assessed according to their rates and groups of liberalized (A, B and C) and excluded products (D) in the WA tariff offer to the EU. This has been the South Centre's approach for the EU28 in 2012, based on ITC TradeMap FOB data. SOL has also begun by the same approach based on Eurostat FOB data for the EU28-UK in 2015, as summarized in table 1.

Table 1 – WA losses of import duties (ID) on EU28-UK FOB exports in 2015 and up to 2035

| | EU exports and ID on them in T (2015) | | | ID reductions on liberalized products from T5 to T20 | | | |
|---|---|---|---|---|---|---|---|
| Euros million | EU exports | ID on FOB EU | ID rate | T5 (2020) | T10 (2025) | T15 (2030) | T20 (2035) |
| Excluded products | 6191,6 | 1090,5 | 17,61% | 1090,5 | 1090,5 | 1090,5 | 1090,5 |
| Liberalized Products | 19856,6 | 1706,2 | 8,59% | 1367,8 | 679,7 | 65,6 | 0 |
| All products | 26048,2 | 2796,7 | 10,74% | 2458,3 | 1770,2 | 1156,1 | 1090,5 |
| % liberalized | 76,3% | 61% | | 55,6% | 38,4% | 5,7% | 0% |
| South Centre's estimate for EU28 exports in 2012 (0.778 euros to one dollar) | | | | | | | |
| Excluded products | 5227 | 949,5. | | 949,5 | 949,5 | 949,5 | 949,5 |
| Liberalized Products | 24335 | 1870,6 | | 1125 | | 238 | 0 |
| All products | 29645 | 2820,1 | | 2074,5 | | 1187,5 | |
| % liberalized | 82,1% | 66,3% | | 54,2% | | 20% | 0 |

The gap between the South Centre estimate of total EU28 exports to WA in 2012 and SOL estimate of EU28-UK in 2015 is due to several factors:

- ITC Trademap data for all EU28 FOB exports to WA in 2012 are 5.4% higher than according to Eurostat data: €27.8 billion instead of €27.3 billion.
- UK accounted for 15% of EU28 exports to WA in 2012 so that South Centre total exports to the EU28-UK would have been of €25.198 billion instead of €29.645 billion. If we applied the same UK share to the liberalized products they would have been of €20.685 billion in 2012.
- However the 5.6% gap in the percentages of liberalized EU exports to WA between South Centre (82.1%) and SOL (76.3%) would remain the same and is mainly due to their methods of attributing each tariff line of the WA offer among the groups at the appropriate rate. South Centre has treated the WA tariff offer as if it was made at the 6 digits level because ITC TradeMap data are only available at that level: "*Trade data was available at six-digit level, but in some cases the tariff schedule contains commitments at a lower eight-digit level. In the bulk of cases, one six-digit tariff line has been assigned to a single liberalization group (A,B, C or D, exclusion). In the cases where a single six-digit line was assigned to different liberalization groups, the value has been allocated proportionately (i.e. if 2 tariff lines under one six-digit level are put in group A and 1 tariff line in Group B, 2/3 of the total value is assigned to Group A)*". Using Eurostat data available at 8 or 10 digit levels SOL could attribute more accurately the WA tariff offer by tariff line to each group, very often also made at 8 or 10 levels. For example EU28-UK exports of code 271012 (light oils) for €6.497 billion were made in 7 TLs (1 in group A at 0%, another in group A at 5% and 5 in group B at 10%), where group A received 1% of total EU exports instead of 28.6% according to the South Centre rule.
- South Centre has simplified the presentation of ID liberalization in not distinguishing the losses between T5 and T15 whereas the WA tariff offer schedule allows to do it also in T10 as SOL has done.

Contrary to what South Centre was able to do in its Draft on the EAC EPA but not in its WA EPA Draft by lack of time, SOL has added four items to the EU FOB exports to WA: the gap between EU FOB values and WA CIF values and the larger imports value and ID losses from T5 to T20 due to three factors: the increase (by 61%) of WA population from T to T20, trade diversion and losses of VAT (value added tax) on imports. So that the annual losses of ID for WA jump from €696 M in T5 to €4.476 bn in T20 (2035), instead of only €1.870 billion for the South Centre, and €5.538 bn in T35 (2050) and the cumulative losses reach €46.463 bn in T20 and €121.816 bn in T35 (2050).