IGC
International Growth Centre

PROJECT MEMO

PREPARING FOR THE ECOWAS CET: OPTIONS FOR LIBERIA

Researchers: Jaime de Melo, Armela Mancellari, and Anne Laski
Partner organisation: the Ministry of Commerce and Industry, Liberia

IN BRIEF

- The objective of the Economic Community of West African States (ECOWAS) is to promote economic integration in West Africa, with potential economic benefit for Liberia
- IGC researchers supplemented earlier analysis to model the implications of Supplementary Protection Measures as part of the ECOWAS common external tariff calculus
- Adopting the common external tariff without exceptions could increase tariff revenues by up to 42%
- The research was requested by the Minister of Commerce and Industry and its findings are reflected in the government's national policy decisions

The objective of ECOWAS is to promote economic integration in West Africa and is likely to have an important impact on the Liberian economy. In 2013-14, in response to demand from the Ministry of Commerce and Industry, IGC Liberia conducted a research study into the welfare and revenue effects of Liberia's adoption of the ECOWAS common external tariff (CET). This work was well-received by the government and they requested further analysis to understand the implications of additional mechanisms that will affect the transition path towards the CET.

This project modelled the strategies Liberia can employ as it adjusts to the ECOWAS CET through the use of transitioning taxes. It updates the earlier analysis using 2013 customs data, raises issues of clarification that are not addressed in the ECOWAS regulations, describes Liberia's tariff structure in relation to the adopted CET, and outlines options the government can pursue when applying for temporary adjustment measures.

The research found that adopting the CET and removing current exemptions will effectively double the applied import tax rate. Tariff revenues are projected to rise by 41.7%, and welfare would be reduced by 2.1% of the value of imports in 2013. The researchers propose two approaches to the selection of tariff lines that would benefit from easing into the CET over the five year adjustment period, rather than immediate adoption. These approaches are 'symmetric' and 'development', and the report recommended that the government proceeds largely in line with the symmetric approach, in order to avoid accusations of 'picking winners'.

Analysis was requested by Ministry of Commerce and Industry. Confirmation from the Assistant Minister that the results were being used to provide technical guidance for WTO tariff negotiations.

DIRECTED BY LSE UNIVERSITY OF OXFORD

FUNDED BY UKaid from the British people