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THE COMMON EXTERNAL TARIFF (CET)

Structure, Benefits, Challenges and the Way Forward of the CET

In any situation where a group of countries decide to form a customs union as part of the goal to achieve economic integration, they must establish a common external tariff which would set the same customs duties, import quotas, preferences or other non- tariff barriers to trade applicable to all goods entering the territory of the group, regardless of which country within the group they are entering. It was for this purpose that the 15 Member States of the Economic Community of the West African States on 25th October, 2013 adopted the ECOWAS Common External Tariff (CET).

THE STRUCTURE OF THE CET

Category	Type of Goods	Duty Rate
0	Basic Social Goods	0%
1	Basic Goods, Raw Goods, Capital Goods	5%
2	Inputs and Semi-Finished Goods	10%
3	Finished Goods	20%
4	Specific Goods for Economic Development	35%

BENEFITS OF THE CET

- Intra-regional trade would be increased: more goods would be available to be traded regionally.
- The CET would guarantee predictability and stability in trade: importers would be able to make long terms plans with the confidence that the tariff would remain the same. Policies affecting import tariffs can no longer be changed arbitrarily.
- As a result of the predictability and stability in trade, more foreign direct investments would be attracted.
- Increased turnover resulting from an enlarged domestic market: the whole region would become a single market for imported products.
- Increase in economies of scale resulting in the enlargement of domestic industries.
- Increased production and productivity: with an expanded market to satisfy, production and productivity would increase.
- Discourage smuggling: to certain extent, smuggling is encouraged by the disparity in tariffs. The application of common tariffs across the region would remove the incentive to smuggle products into countries that previously had high tariffs for those products.

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THE CET ACCOMPANYING MEASURES

Understanding that the CET may open the regional market to certain risks; the following trade defence measures were included in the CET in order to counter any trade practice that has the potential to harm the ECOWAS Common market.

a) Safeguard Measures (Regulation C/REG.4/06/13)

The Safeguard Measures may be in form of restrictions on quantity to be imported or imposition of additional duties. The Measures are applied with the aim of protecting the specific industries in the community. Application of the measures may be to the entire community as a single territory or on behalf of a Member State. Safeguard Measures can be in force for a maximum period of 10 years.

b) Anti- Dumping Measures (Regulation C/REG.6/06/13)

If a product imported into the community at such lower price causes injury or is likely to cause injury to the community industry, the community can adopt an anti- dumping measure by imposing extra duties (Anti-Dumping Duty) on the specific products and the exporter. This way, the community would be able to correct the unfair competitive advantage which the dumping country may gain within the Community. The ECOWAS anti-dumping measure shall be imposed for a period of five years, in the first instance and may be extended if situational review shows continued dumping.

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c) Anti-Subsidy and Countervailing Measures (Regulation C/REG.05/06/13)

Any product produced under a financial grant by a public authority which effectively lowers the cost of production of that product may be liable to a countervailing duty if imported into the Community. The aim of employing a countervailing measure is to cancel out subsidies enjoyed by the exporter of specific products which are deemed to cause injury to the domestic producers of similar products within the Community.

d) Supplementary Protection Measures (SPM; Regulation C/REG.1/09/13)

This regulation allows Member States to alter 3% of the ECOWAS CET tariff lines by imposing Most Favoured Nation (MFN) duties which are different from the MFN duties under the CET. SPMs include Import Adjustment Tax and Supplementary Protection Tax.

i) Import Adjustment Tax (IAT)

This tax max be imposed where the MFN duty originally applies by a Member State is higher than the duty specified under the ECOWAS CET. The maximum IAT applicable is the difference between the duty applied by the Member State originally and the duty set by the ECOWAS CET and it would be applicable for a maximum period of 5 years from the 1st of January, 2015.

ii) Supplementary Protection Tax (SPT)

This tax may be imposed when the volume of importation of a product entering inti the customs territory of Member State equals or exceeds 25% of the average import for the preceding 3 years of which data could be found.

The SPT may also be imposed where the average of the Cost Insurance and Freight (CIF) import price of shipments entering the customs territory of a Member State falls below 80% of the average CIF import price for the last 3 years of which data could be found.

CHALLENGES AND THE WAY FORWARD

The actual implementation of the ECOWAS CET is the obligation of the Member States. The ECOWAS Commission in collaboration with GIZ is providing support to the Member States in the areas of capacity building for Customs administrations and selected private stakeholders (e.g. freight forwarders) on the implementation of the CET and sensitization programmes. The Commission is also developing a common trade policy for the region and harmonizing fiscal policies (e.g. VAT) to create a level playing field for all countries.

Also, the ECOWAS Commission is in the process of developing a monitoring mechanism for the implementation of the CET. This would enable the Commission track the application of the regional tariff and ensure the harmonised implementation by the Member States.

However, whether or not the CET is successfully implemented and ensuring the ultimate goal of economic integration becomes a reality depends on the exercise of political will by Member States. Member States would have to boost competitiveness by combating high energy costs, port charges, transport costs, regulatory charges and other non-tariff factors that adversely affect trade.

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