



EUROPEAN UNION
DELEGATION TO THE FEDERAL REPUBLIC OF NIGERIA AND
TO THE ECONOMIC COMMUNITY OF WEST AFRICAN STATES

Some important clarifications about the Economic Partnership Agreement and EU Trade Policy

By Michel Arrion, EU Ambassador to Nigeria and ECOWAS

All of the ECOWAS countries, apart from Nigeria and the Gambia, have to date signed the EU-West Africa Economic Partnership Agreement (EPA). The EPA may enter into force only if all ECOWAS member states sign and if at least two thirds ratify the agreement. If Nigeria should sign, and then ratify the EPA, is clearly a matter for the Nigerian government and citizens to decide. To be able to enter into such an important international agreement, Nigerian stakeholders deserve to be correctly informed first.

The article appeared on the front page of Business Day on Thursday, 24 November with the headline "*Nigeria's non-oil exports face ban in Europe*", claims that "*EU will likely block some of Nigeria's agro products, especially cocoa and grains, maybe in 2017*" if Nigeria does not sign the EPA.

This information is grossly wrong. The EU will take no measure limiting or affecting imports of Nigerian goods to Europe if Nigeria decides not to sign the EPA.

It is not the first time distorted information on the EPA is spread in Nigerian media. When, in June 2015, the EU adopted a temporary ban on imports of dried beans from Nigeria, due the repeated interceptions at the EU border of dried beans' consignments containing high residuals of a pesticide dangerous for human health, several Nigerian media stated that the ban applied to all Nigerian non-oil exports to the EU (not only to dried beans), and some even claimed that this was an attempt to put pressure on Nigeria on the EPA. Again, this information was grossly wrong.

Another example of misleading information I often hear in the media is that, if the EPA enters into force, the Nigerian market would be flooded by cheap European products. This scenario cannot occur for several reasons. First, European products are not "cheap": even if they were imported to Nigeria duty free, European products would still be more expensive than several products produced locally or imported from Asia. Second, the EPA has been negotiated in a way to reduce any risk of a possible negative impact for West Africa. Indeed, the main objective of the EPA is to support, not to undermine, the economic development and industrialisation of West Africa. To make sure that such objective can be effectively achieved, the EPA gives more obligations to the EU than to West Africa, and more rights in favour of West Africa than the EU. I will give some examples below.

First, while the EPA requires the EU to completely remove tariffs and quotas on imports of any good from West Africa, West Africa is allowed to keep tariffs up to 35% on several goods imported from Europe, particularly on goods belonging to the so-called sensitive sectors, such as agriculture, food and

beverages. The EPA provides this protection in favour of West Africa for an unlimited period of time. West Africa is required to gradually remove import duties only on capital goods (machinery, spare parts, components, or inputs such as fertilisers, agrochemicals), which are goods that in principle do not compete with locally produced goods, but which are needed by domestic producers and would become cheaper for them as a result of the EPA.

Second, the timing of the market opening provided by the EPA is also in favour of West Africa: while the EPA requires the EU to immediately remove duties on all imports from West Africa, West Africa's market opening will be gradual and slow, starting after 5 years of its entry into force (a transitional period which applies only in favour of West Africa) and gradually taking place for additional 15 years (overall a period of 20 years).

Third, the EPA improves the so-called "rules of origin" only for West Africa, making it easier to consider goods sourced and transformed in various countries of the region as West African goods benefitting from free access to the EU market. More business will be willing to invest in West Africa moved by the perspective to have easier access to a huge and lucrative market like Europe.

Fourth, to ensure that the EPA achieves its objective to support West Africa's economic development, industrialization, and job creation, a body called "*Competitiveness Observatory*" will be established to monitor and assess, based on clear indicators, the implementation and impact of the EPA on the economies of the West African countries.

Fifth, the EPA provides an "infant industry clause", which only West Africa (not the EU) can trigger to raise custom duties in case of imports from the EU threatening local fledging industries.

Sixth, the EPA provides the possibility to review the agreement every five years, allowing Nigeria to address any concern possibly arising during its application, and correct any possible negative impact.

Seventh, the EPA is a trade and development agreement. The EU has already committed €6.5 billion in development cooperation projects linked to trade, industry, energy and transport infrastructure for Nigeria and West Africa for the first five years of implementation of the EPA. Similar funds will be committed throughout the whole EPA implementation process.

Last but not least, the EPA provides for enhanced cooperation in agriculture, fisheries and food security, by establishing a high-level dialogue on agricultural policies, creating transparency and supporting West African farmers to meet the EU's sanitary and phyto-sanitary standards. The EPA also provides that the EU will "*refrain from the use of export subsidies for agricultural products exported to West Africa.*"

These are, in short, the advantages the EPA provides. I will now address some provocative questions I often hear about the EPA.

A first question is why Nigeria should sign the EPA if it is currently unable to export any product other than oil. My answer is simple. Everybody knows that Nigeria needs to diversify its exports. However, diversifying exports does not take place over night. It requires the adoption and implementation of several coordinated policies, aiming at increasing Nigeria's capacity to satisfy both local and foreign demand. The conclusion of international trade agreements must be necessarily part of this strategy. No

country in the world has been able to dramatically increase and diversify exports without entering into trade agreements.

A second question I often hear is "why should Nigeria sign now a trade agreement with the EU, rather than waiting for the opportunity to sign possibly better agreements with other countries"? The reasons are manifold. First, for geographic and historic reasons, the EU is the main destination of Nigerian non-oil export. A removal of all EU import duties on goods originating in Nigeria, would immediately offer to Nigeria the opportunity to increase its existing share of non-oil exports to the EU (such as cocoa, leather, fish and crustaceans, oil seeds, rubber etc.). Second, if Nigeria wants to diversify exports quickly, it would make sense to improve trade relations with an existing partner, with a market of more than 500 million potential consumers, rather than starting trade negotiations, which may last many years, with new potential partners. Third, trade relations between West African countries and the EU are currently regulated by four different trade regimes: the EPA would eliminate this anomaly and allow West Africa to talk with one single voice with the EU on trade matters, enhancing West Africa's regional economic integration. Fourth, the EPA does not prevent Nigeria from entering at any time into other international trade agreements.

A third question is why Nigeria should sign an old fashioned agreement, which concerns only trade in goods, rather than entering into a new trade generation agreement covering all sectors, such as services, investments, intellectual property, competition etc. The answer is simple: a consensus among West African countries on a comprehensive agreement with the EU could not be reached yet. However, the EPA provides that the EU and West Africa will continue negotiations to broaden the scope of the agreement and to further deepen cooperation on trade matters.

Another recurrent question I hear is "Why does the EU put pressure on Nigeria to sign the EPA?" Let me be quite clear on this: the EU is not putting any pressure and is not threatening Nigeria in any way. The EU has intervened so far in the EPA debate, and will continue to intervene, only to make clarifications, and to avoid that any decision Nigeria would take could be the unfortunate result of misunderstandings.

But the most important question I often hear is "What benefits will the EU obtain from the EPA"? Let me be also very clear on this. The EU will not obtain many economic or commercial benefits in the short or medium term. As explained, the market opening of West Africa will be gradual and very slow, and will only concern capital goods, i.e. inputs and machinery. According to the EPA, West Africa will still maintain high import duties on most finished and consumer goods imported from Europe. Under these circumstances, only few EU suppliers would, over a medium and long term, be able to increase sales to West Africa as a result of the EPA.

The main objective the EU pursues with the EPA is to support the sustainable economic and industrial development of West Africa. In a globalised world, the EU cannot ignore what happens at the proximities of its borders. More peace, stability, security and prosperity of West Africa (which can only be ensured by sustainable economic development) also mean more peace, stability, security and prosperity for the EU. And more economic prosperity for West Africa, which the EPA aims to pursue, will in turn offer more opportunities for the EU to export and invest in West Africa.

Wrong information about trade and economic matters is never good, particularly in times of economic crisis, when delicate decisions must be taken to ensure that Nigeria gets out of recession and rapidly starts to diversify its sources of revenue. I hope that the above clarifications will offer a useful contribution in the right direction concerning the EPA debate.