



The EPA as a Pathway to Diversification

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His Excellency the Executive Governor of Lagos State, Akinwunmi Ambode,
Honorable Commissioners,
Members of the Diplomatic Corps,
Ladies and gentlemen,

I'm delighted to be here in Nigeria. It's my first trip to visit your country.

It's also the first trip to Nigeria by a representative of the European Commission since President Buhari took office earlier this year. So I'm eager to get to work on building the relationship between the EU and Africa's largest economy.

And where better to do it than here in Lagos, Africa's largest city and the third fastest growing city in the world?

And where better in Lagos than here at the EU-Nigeria Business Forum, in the company of entrepreneurs who have great ambitions to link our economies together?

We have so many important issues to work on, from the security of this region to the global challenges of terrorism, migration and climate change.

But crucial for all of them are our economic ties. And as the European Union's Commissioner for International Trade, that's what I would like to talk to you about today.

We are here in a time of transition. Not just for the government of this country, but for the economy of Nigeria and of Africa as a whole.

We have seen two decades of remarkable, unprecedented economic growth across this continent. A new story of growth and success has replaced the old narrative of stagnation and conflict.

One of the best parts of this new story of success is that it hasn't just been a product of high commodity prices. It's also been about better functioning democracies, wider political stability and improved economic management.

But even so it's impossible, especially in a country like Nigeria, to dismiss the importance of commodity exports like oil and gas.

And that's why this is a moment of transition.

The high prices we have seen for energy and other commodities over the last decade are over - including for Nigerian oil - and they are not likely to recover fully overnight. That's hurting farm workers in Brazil, mine workers in Australia and steelworkers in Europe. It's a challenging time for many people.

But what it means for a country like Nigeria is that diversification of the economy is more urgent than ever. The wider the range of your production, the better insured you are against price fluctuations like these.

Deepened trade and investment ties with the European Union are a way to help achieve that goal. Our ties are very close already. Last year our trade in goods came to almost 40 billion euro. But closer ties and deeper engagement will help us both do more business, create more jobs and drive our economies forward.

How?

Let's start with some general truths about trade and investment.

What everyone agrees on is that exports are good news. They bring demand from abroad back home, meaning more growth and more jobs. For an economy that's trying to diversify, access to export markets means new companies in new sectors can think big right from the start.

But access to imports is also vital for an economy and certainly for an economy that's diversifying. Just look at the great examples of diversification and development in Asia over the last decades. Those countries grew as they opened up to imports - not overnight, but gradually.

Why? Because the reality is that today it's almost impossible to make a product or deliver a service without some kind of international input. In Asia the model often involved importing high-tech components in order to assemble them into finished products before re-exporting.

Here in Nigeria, it might be importing machinery and equipment to process agricultural products and add value to them, a sector I know many of you here today are interested in.

But it's true across the board. In Europe 80% of our imports are used by industrial or services companies to drive their business.

Access to imports also helps keep costs down. For companies that are just starting out in new sectors, getting the best inputs at the best prices is vital.

Moreover, imports - like foreign investment - also transmit ideas and innovation. And that's essential for an economy that wants to break new ground. Imports are a way of making contacts with business practices and technology that can help Nigerian companies fulfil their potential.

As the great Nigerian writer Chinua Achebe has written, "Whatever you are is never enough; you must find a way to accept something - however small - from the other to make you whole."

The economic partnership agreement - or EPA - that we have negotiated between the countries of West Africa and the European Union is about bringing all of these benefits to Nigeria.

That's why my message today is that signing and implementing that agreement is a clear win for the companies, the workers, the consumers and the government of Nigeria.

First, it will provide duty-free and quota-free access to a market for your exports. Not just any market. The EU's single market of 500 million people is the world's largest.

That access is a big improvement on the current situation, and particularly important for some of Nigeria's main non-oil exports like processed cocoa, other processed foods and leather.

Moreover, because this is an international treaty, that free access is guaranteed over time. So companies can count on the European market in future.

Second, the EPA will improve the economic integration of West Africa as a region. Nigeria is by far the biggest economy in that region, but trading with your neighbours is still vital for prosperity and growth. Just look at the example of Germany. German exporters are successful around the world, but they actually export more within the European Union than outside it. And German companies have spread their production processes and their suppliers all over Europe, not just in Germany.

Third, the agreement will help Nigerian companies gain access to the international inputs and expertise that will help them grow. On the panel today we have a representative from Tulip Cocoa Processing. It's a great example of a company that's adding value to the cocoa beans produced by Nigeria's farmers. They are doing that at their factory here in Nigeria. But they are also connected to international markets via their headquarters in the Netherlands.

The EPA will help this kind of development. The tariffs that it reduces on imports are overwhelmingly on products like machinery and equipment which will support the development of value-adding companies all across Nigeria's economy. And European companies are the world leaders in this kind of production. We have the high-tech cost-effective products that Nigeria needs - whether it's machines for processing crops or refrigeration to ensure the integrity of the cold chain.

Fourth, the EPA does not mean that local producers in sensitive sectors will have to face competition from abroad.

We negotiated this agreement very carefully. For all the most sensitive products like poultry, yoghurt, chocolate, cement, textiles, cars and many others, there will be no change whatsoever. All of these are protected by high tariffs now. And the EPA is clear that this will remain the same.

And even for the products like machinery that will see a change, it will happen very gradually.

So this deal creates export opportunities, makes companies more competitive and takes care that vulnerable producers are not harmed in the process.

But it also does something more important. It supports the broader project of reform of the Nigerian economy.

Promoting trade is my job. I have "Trade" written into my job title.

But even I have to admit that opening markets alone is not enough to deliver growth. There are many, many other actions that are essential to empower people to create the successful companies needed to drive diversification and growth.

Physical infrastructure is a big part of that. In his inaugural address earlier this year, President Buhari pointed to key infrastructure challenges for Nigeria like electricity, railways and roads.

But he also pointed to the equally, if not more complicated, challenges of what we might call virtual infrastructure.

It covers things like healthcare, skills, education and, of course, the rule of law.

Improving the security situation is part of the rule of law. In regions that lack basic security, there is very little prospect of growth.

That's one of the reasons the EU supports the Office of the National Security Adviser, and Nigeria's robust efforts to tackle the threat posed by Boko Haram. We are well aware of the plight of the people - particularly but not only women and girls - who have suffered their attacks and abuses.

Respect for human rights is an essential part of that effort to put an end to Boko Haram. So we welcome the investigations that President Buhari has opened into allegations of abuses on the government side.

We also applaud the strong stance President Buhari is taking on the fight against corruption. I have just come from a meeting with the Nigerian Competitiveness Council and the Clean Business Initiative, which is trying to show the costs of corruption for companies themselves and advocate for change. We in the European Union couldn't agree more.

The EPA has a major contribution to make to these broader challenges of physical and virtual infrastructure development.

It commits both sides, when we are both ready, to explore new negotiations to open markets for areas like services and investment. Those will help create economic infrastructure.

But more immediately the deal also includes a programme of development cooperation funding for West Africa worth 6.5 billion euro, or about 1.4 trillion naira.

This funding will support infrastructure projects but also capacity building in the private sector and civil society. To give you just two examples:

- The fund will help companies here in Nigeria to meet international health, safety and environmental standards that are vital for access to world markets.
- And it will support the efforts of customs authorities to streamline their procedures so that border crossings don't hold back growth.

Your Excellency, Ladies and gentlemen,

We are all living through challenging times.

And addressing our challenges is never easy, whether we are in Nigeria or Sweden, where I come from. The most valuable reforms are always difficult by definition.

That's because there are always those who will resist change because they believe they are personally better off under the status quo. But if we want to improve things, we need to be ready to take action even in the face of resistance like that.

Because it pays off for everyone in the long term.

I firmly believe that this Economic Partnership Agreement can offer great benefits for Nigeria. I hope that's an opportunity you will seize.

Finally, I sincerely hope that this new administration will give a new impetus to the various domains of co-operation that do already exist between your country and the EU. The European Union is ready to play its part to strengthen our political and policy dialogue, to the benefit of our people.