



Rules of origins under the EPA - increased opportunities to invest in Nigeria and to export to the EU

**LCCI Stakeholders' Forum On EU-ECOWAS Economic Partnership
Agreement**

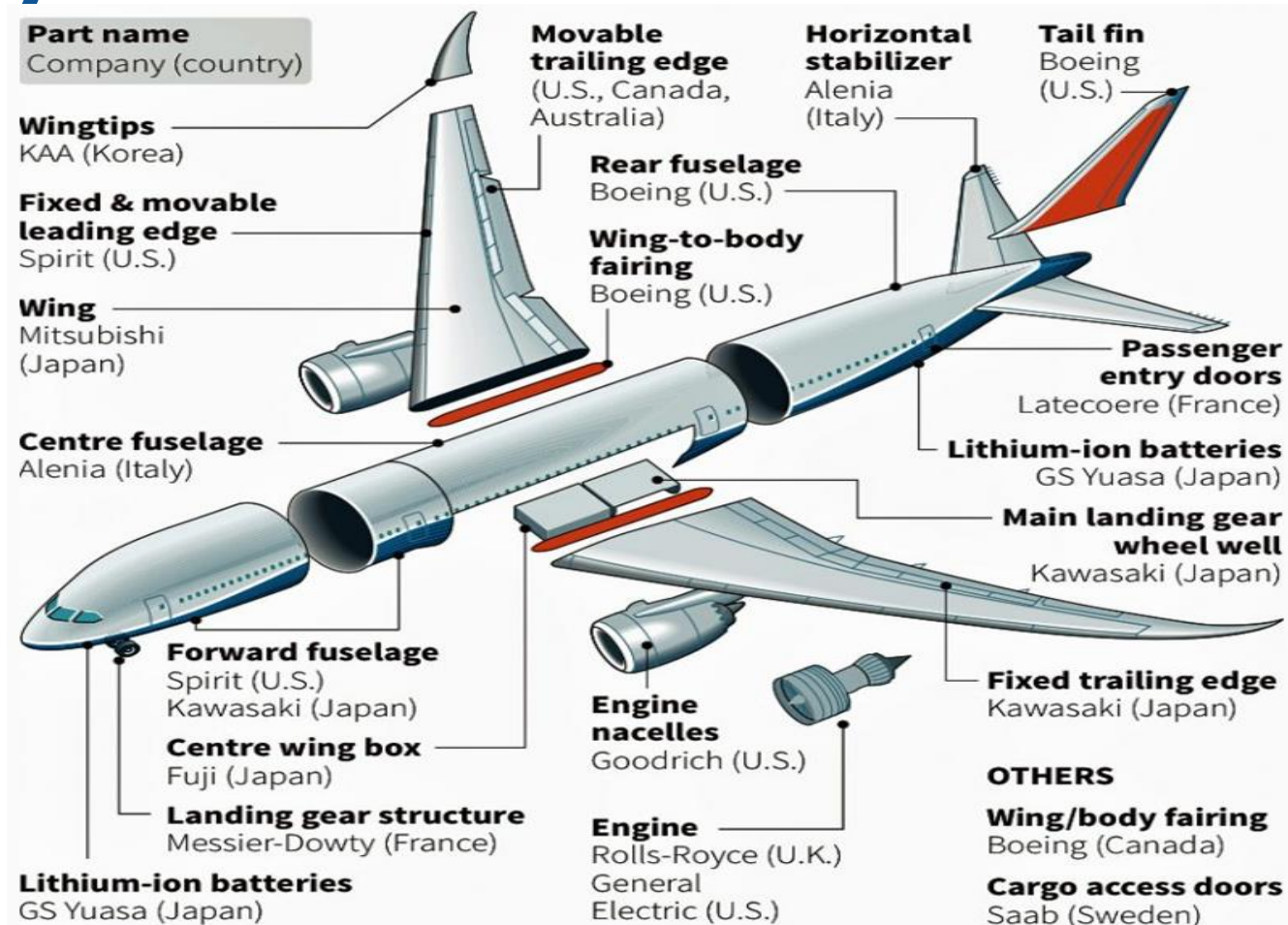
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**Filippo AMATO, Head of Trade and Economics Section, EU Delegation to Nigeria and
ECOWAS - filippo.amato@eeas.europa.eu**

Today's value chains

- Apart from raw materials, a product is the result of a series of transformations, gathering inputs and value-added until its final consumption
- Very few products are now made within only one national territory
- Value chains are increasingly global
- Fragmentation of production increases with the complexity of products

Today's value chains



Source: Boeing, Reuters

Today's value chains



source: www.integrationpoint.com

Purpose of rules of origin

- With the EPA, Nigerian products will access the EU market duty-free quota-free.
- This preferential access is not for all countries in the world: but how to know which products can benefit and which cannot?
 - *e.g. when a good is produced in Nigeria but incorporates some foreign inputs*
- Rules of origin = core element of any trade agreement
- The EPA also foresees preferential rules of origin for West Africa

Basic principles

- Wholly obtained products
- Sufficient/insufficient working or processing
- Cumulation: "West Africa" origin

Wholly obtained products:

- *Minerals extracted there*
- *plants and vegetable products grown and harvested or gathered there*
- *Animals born and raised there*
- *Meat from animals raised there*
- *Waste and scrap*
- *Used articles*



Example: Sufficiently worked/processed

- How to define if a textile product is "sufficiently worked/processed" in Nigeria to have preferential access in the EU?
- Example: a cotton shirt (code 620520)
 - **Current rule (GSP: 9.6% tariff rate): "Weaving accompanied by making up (including cutting)": double transformation**



yarn (non-originating)



fabrics



garment (originating)

- **EPA rule (0 % tariff): "Manufacture from (non-originating) fabric" => single transformation**



fabrics (non-originating)



garment (originating)

Example: cumulation (ceramics)

- *A ceramic company in Nigeria needs to partly use materials not originating in Nigeria, does it still benefit from preferences* in the EU market?*
- Rule for ceramic tiles (code 69081000): at least 50% of the value of material used must be "originating" (GSP/EPA**)
- Current cumulation rule (GSP): materials originating in Nigeria or in the EU qualify as "originating"
- **EPA** cumulation: materials originating in Nigeria, West Africa EPA Countries, EU, other EPA countries, Least Developed Countries (EBA), or (if materials can enter duty-free) GSP countries or countries with an FTA with the EU



*: MFN rate: 7% GSP rate: 3.5% EPA rate: 0%
**: Annex IIa (flexible rules for West Africa)

What opportunities does the EPA bring?



To recap the EPA offers to West Africa and Nigeria:

1. Duty free/quota free access to the EU market
2. Improved rules of origin
3. Dismantling of duties on import of machinery and inputs (chemicals, spare parts, etc.) needed by the local industry
4. Protection on imports of consumer and finished goods from EU (duties from 5-35% will still apply to several "sensitive" products imported from the EU)
5. EPA Development Programme: development cooperation to support to the Nigerian industry (quality, standards, vocational training in agribusiness and textiles) and to the power sector and infrastructure

Why the EPA is good for Nigerian business?

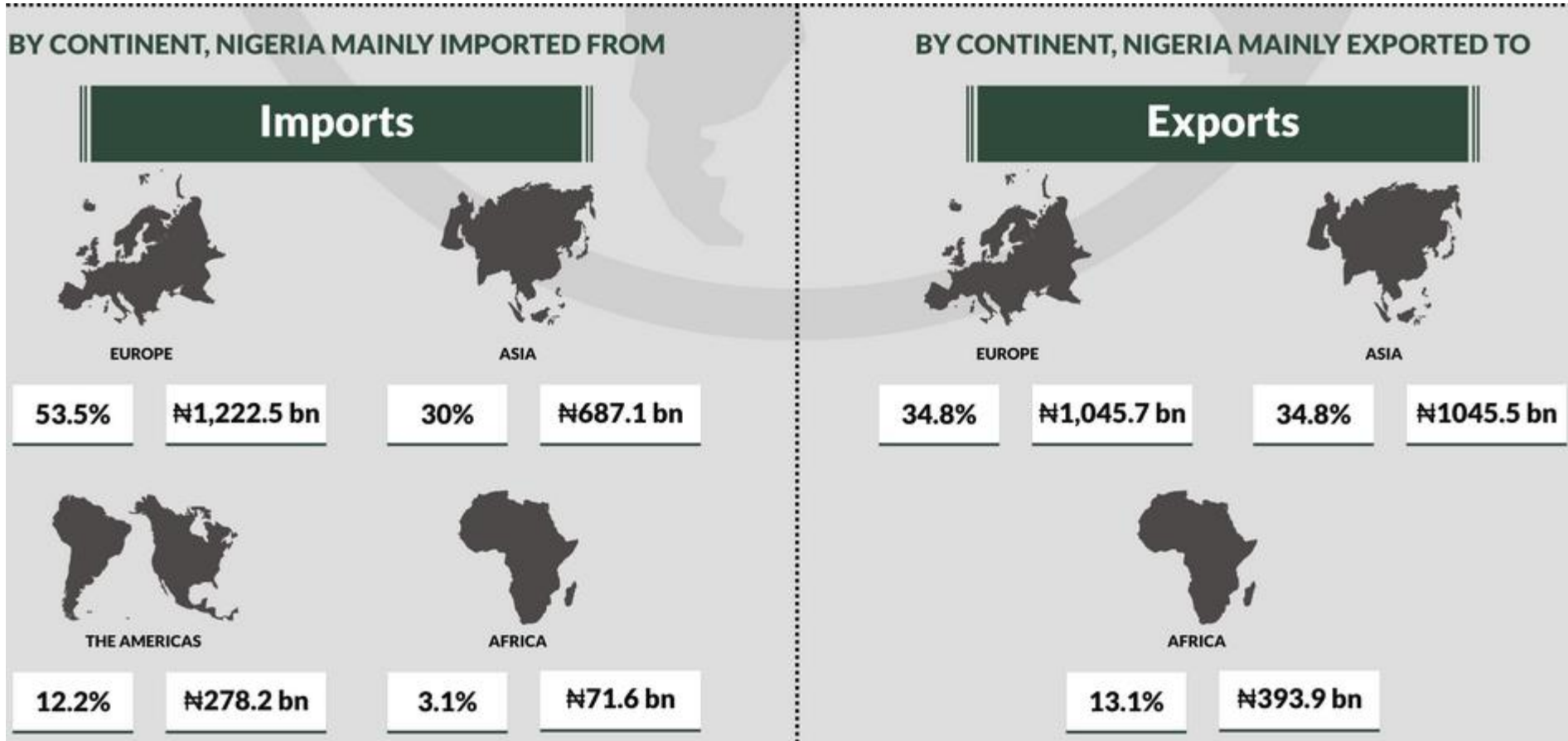
- Sourcing the best inputs into the production process at a cheaper price: exports would become more competitive
- Competitive edge versus other countries without FTAs with the EU or with less preferential FTAs
- Increase transparency of trade policy, resulting in better investment climate and attractiveness
- Integration into global value chains and ability to retain value at home
- Possibility to build regional chains with countries with less industrial capacity ("West Africa origin")
- Diversification: incentive to invest into production processes

Overall all the above benefits will attract more investments to Nigeria, as Nigeria would become a potential export hub for Europe !



European
Commission

The EU is already Nigeria's main trade partner



NATIONAL BUREAU OF STATISTICS

Date: 06/06/2017

Nigeria's top exports to the EU (2015)

Rank	Product	Amount (M€)
	Total Nigeria 's export to the EU in 2015	18,529
1	oil & gas	17,565
2	cocoa and preparations	431
3	skins and leather	154
4	fish and crustaceans	48
5	oil seeds	46
6	rubber	40
7	copper	37
8	wood & wood charcoal	33

Nigeria's top 10 exports to the EU (2016)

Rank	Product	Amount (M€)
	Total Nigeria 's export to EU in 2016	10,936
1	oil & gas	9,831
2	cocoa and preparations	580
3	skins and leather	131
4	fish and crustaceans	58
5	Machinery (mechanical)	34
5	wood & wood charcoal	33
6	rubber	31
7	oil seeds	28
8	copper	24

Opportunities in agribusiness

EU's top 15 imports (processed) in 2015

Rank	Product	Amount (M€)
1	fish filets	4,978
2	prepared fish	2,743
3	frozen fish	1,790
4	prepared meat	1,577
5	cocoa butter, fat and oil	840
6	dried fish	815
7	cocoa paste	799
8	chocolate	795
9	bread and pastries	680
10	vegetable fats and oils	483
11	cheese	434
12	pasta	432
13	margarine	150
14	vegetable waxes	86
15	cocoa powder	83

Opportunities in textile & garment sector (the example of Madagascar)

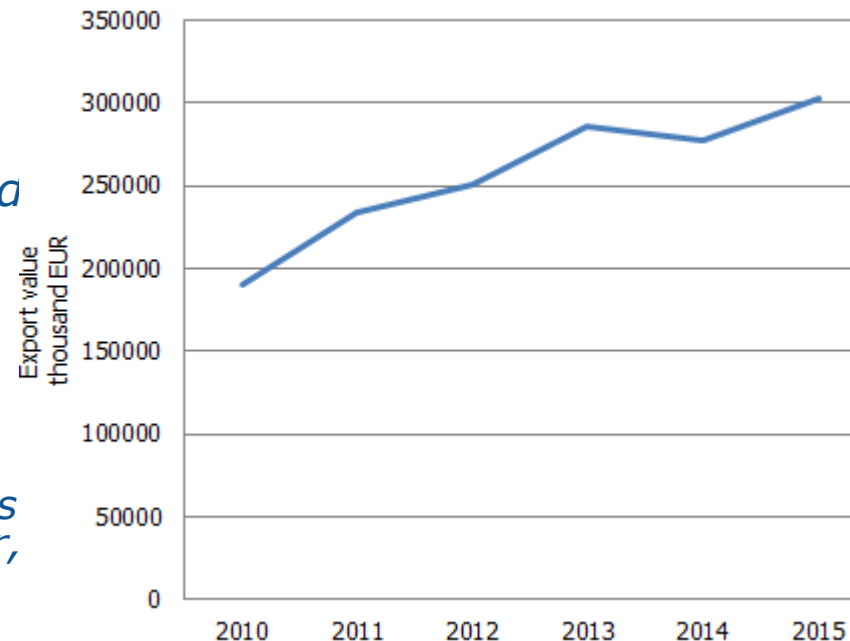
Since the signature of the EPA in 2009, Madagascar's exports to the EU increased by 14% per year, whereas EU exports to Madagascar increased by 4.5%.

*Madagascar's **textile and apparel** manufacturing sector substantially benefitted from the conclusion of the EPA thanks to:*

- 1. duty-free, quota-free access to the EU*
- 2. relaxation of the rules of origin*
- 3. Textile manufacturers adapted to the EU's standard and norm requirements and became more competitive.*
- 4. cheaper imports of raw materials and inputs from the EU and other partners of Madagascar, including neighbouring countries*

Textile exports to the EU are now worth more than 300 million euros accounted for 32.2% of Madagascar's total exports to the EU.

Madagascar's textile exports to EU28



In summary the EPA could support:

- Economic diversification
- Integration to global trade
- Economic governance
- Investments

Bur what are the benefits for the EU?

- Long term benefits more than short term: EU has an interest in the peace, stability and prosperity of Africa, so it looks strategically at the benefits it will get in the long term by promoting stability and development of West Africa.
- Some short-term benefits for EU exporters of machineries and inputs. Some EU companies will invest in Nigeria to produce and sell locally and export to the EU. In the long-term, when West Africa will be more prosperous, more EU exports will be possible

How to export to the EU today?

- **Export helpdesk for businesses** on how to export to the EU
- **Free online service**, accessible worldwide:

<http://exporthelp.europa.eu/>

- Database for **trade in goods**
- Three main sections:
 1. EU import requirements (general and specific)
 2. EU tariffs and VAT rates
 3. Preferential arrangements (all trade agreements with their conditions for products)
- Additional information: trade statistics, MS authorities



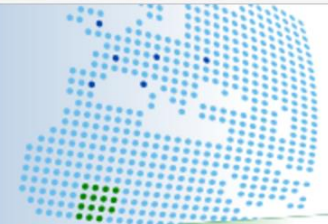
You can watch here a tutorial on how to use it:

http://exporthelp.europa.eu/thdapp/display.htm?page=re%2fre_Tutorial.html&docType=main&languageId=en

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The Enterprise Europe Network is the largest business network in Europe aimed at maximizing the potential of the European marketplace by facilitating international R&D, technological, and commercial collaboration. The Network provides you with access to **partner matching services, referral programs, exclusive events and conferences, and more.**

The Nigerian Consortium is comprised of four organizations in the Nigerian business sector:

- The Nigerian-Belgian Chamber of Commerce (NBCC)- Lead Partner

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