

EPA: Reasons Why Nigeria is a Sitting ‘Elephant’

The European Union Commissioner for Trade, Mr. Peter Mandelson was quoted recently as saying that Nigeria is “sitting like an elephant in the middle of the road.” This is with respect to the Nigeria’s position on the ongoing negotiations on the Economic Partnership Agreement. Mr. Mandelson was actually commenting on the role of Nigeria in the negotiations with the ECOWAS sub-region. The National Association of Nigerian Traders (NANTS) has reviewed this statement and seeks to address it in view of the weight it carries on the relationship between Nigeria and Europe. What we intend to do is to use the metaphor of the elephant or what we refer to as ‘the elephant phenomenon’ to give a brief rejoinder to Mr. Mandelson’s, and indeed the European Union’s position on the EPA subject matter.

First, the ‘elephant phenomenon’ is a popular motif in African folklore evoking both positive and negative attributes depending on which of the tales it appears; but, we shall leave it to Mr. Mandelson which attribute his usage connotes. On a lighter note, somebody has pointed out that elephants are not found anywhere in Europe.

But, how does the ‘elephant phenomenon’ relate to the position of Nigeria in the ongoing EPA process? The elephant indeed is a prestigious animal at least, for its size and gait, but more importantly for the ornamental value of the tusk. Whether it is walking, standing, or sitting, one fact is clear - it cannot be moved easily from one position to another against its will. This indeed is Nigeria’s position as far as the EPA is concerned. Nigeria appears to be the only country within the ACP bloc that can sit and stand tall before any other (colonial headmasters inclusive) or even withstand any form of ferocious pressure from any kind of oppressor in the face of negotiations. While this may sound pompous, it is however important for the powers that be to recognize that the era of servant-master relationship and if you like, slavery has gradually been overtaken by expression of fundamental human rights. The rights to protect Nigerians from squalor and degradation, from slavery of any kind and under any kind of pretext expressed by ‘cooperation’; - all squarely lie on the shoulders of the Nigerian government.

To express the fact, it would not be surprising but regrettable to see Chief Mandelson trying to resort to cheap blackmail or bullying to calm the ACPs, especially Nigeria into submission. Yet, according to the EC, ‘there is no hidden agenda other than the development of the ACP’ – and I ask, if there is no hidden agenda, and if the EPA is not profitable to the EU, why the pressure and why the bullying? You want to be benevolent and philanthropic to someone and he is refusing your gift, why must you subdue and oppress him to submission if you have nothing to gain? Sadly, this is not the first time these oppressive instruments have been employed. It would be recalled that several times within the lifespan of the EPA negotiations, the duo of Peter Mandelson and Louis Michele have continued to treat even the ACP Ministers as if they were offending school children who were inviting the long stick of their masters. During the 7th Joint Ministerial Council meeting which held in Brussels, Louis Michele was only short of laying the ACP Ministers face down and giving them some 24 slashes of the cane. The only offence they committed was asking for clarifications on how much was set aside by the EC for the

EPA adjustment and development fund. It took the bold intervention of the Nigerian Permanent Secretary in-charge of Trade who bitterly called for Louis Michele's apology before the meeting could continue.

Later in the year, precisely in Petersbourg, Bonn (Germany), while the ACP-EU Ministers met on the invitation of the German Minister for Development Cooperation, Mr. Mandelson allowed his emotion go before him and was almost casting aspersions on Nigeria. The only crime Nigeria committed was that the then Nigeria's Minister of Trade (Dr. Aliyu Modibbo) in his statement made on behalf of the ACP Ministers, noted that an extension of the deadline for conclusion of the negotiations was required if the EPA is to translate into development and poverty reduction. However, in the characteristic elephant attitude, the Nigerian Minister quickly pointed out to the meeting that such bullying should be stopped at the gate of some small islands as Nigeria is sure bigger than all such countries whose population is counted in some hundreds of thousands or fewer millions. An observer has rightly noted that with a population of about 150 million people, if Nigeria doesn't act like an elephant, then something is absolutely wrong. As a matter of fact, what Mandelson and his EC colleagues need to realize is that it is impossible and unfair to compare Nigeria with or treat her like one of those countries whose budgets are dependent on the EC's ODA. This is the quality which no doubt places Nigeria in the category of 'an elephant' which other animals ought to accord respect. Nigeria will continually resist such undue pressure and treatment.

Equally true and important is the fact that the elephant has many sides to it and one's position determines what one sees. Hence, the case of the 5 proverbial blind men who went to see the elephant comes to play. Since they were limited by their lack of sight they would only feel the elephant with their hands and each returned with a verdict based on what part he touched. Obviously, whatever Mandelson sees Nigeria to be in the entire EPA process could be interpreted in the light of the elephant phenomenon as espoused by the blind men's expedition above. Importantly however, position of Nigeria in the sub-region perhaps best describes her elephant role in the current EPA negotiations. With a population of over 150 million people, Nigeria accounts for more than half of the population of the entire sub-region, with about 72% of the trade volume and about 60% of the GDP of the sub-region. Nigeria indeed walks, stands, or sits depending on how you see it as the elephant in the sub-region.

By implication, status connotes that no form of regional agenda can ever succeed without Nigeria's involvement – this is a statement of fact not merely an ego massage. Indeed, Nigeria has found herself in a position of responsibility where she has to spearhead issues raging from peace and security to political and economic integration in the sub-region. Whether it is crises in Liberia or Sierra Leone, Guinea or Cote d'Ivoire, Nigeria carries the burden and shoulders the responsibility of financing and foot soldiering for peace especially towards ensuring that the escalation of crises does not ruin the volatile region and ultimately destroy years of protection facilitated by Nigeria. It is therefore obvious that any agreement signed on the sub-regional level will have more impact on Nigeria than any other country in the sub-region.

In this dimension therefore, Mr. Mandelson is absolutely right in describing Nigeria as an elephant in the sub-region. Nonetheless, what Mr. Mandelson ought to have tried to know is the reason why the elephant called Nigeria has decided to sit on the middle of the road in the ongoing EPA negotiations. Perhaps, Mr. Mandelson ought to have long discovered and ought to be worried that even though the negotiations are undertaken on the sub-regional (ECOWAS) level and by a Team, Nigeria, despite her market size in the region is not known to have representation in the Team. This may not be of any fault of Mandelson though, but again, his next point of concern should have been to consider the political economy of the sub-region. In that context, his greatest worry ought to have been the rationale behind having two drivers in one vehicle which finds expression in having two regional institutions (ECOWAS and UEMOA) negotiating on behalf of one region – a unique but challenging case among all ACP configuration. This has serious implication on the regional integration which Mr. Mandelson and the EPA professes to come about.

Unfortunately, this does not strike the attention of the EC – that whereas the 8 members of the UEMOA are all members of the 16 member ECOWAS Commission, yet, they have continued to exist thereby making a mockery of regional integration, and further promoting the divide and rule tactics of the powerful. Does it not disturb the EC and in particular, Mr. Mandelson that even if the EPA eventually comes on stream, the protracted politics of anglo-franco divide in West Africa could hamper the successful implementation of the agreement? And more frankly, what are the practical strategies on ground to ensure that EPA delivers poverty reduction to the people of West Africa, nay, citizens of Nigeria? These are more serious pertinent issues than obtaining a microscope to watch and discover those who are sitting, how they lie, in front, by the side or in the middle of the road.

Two: From all indications, it must be understood that regional integration which Nigeria has been funding and facilitating towards boosting intra-regional trade has not yet materialized. Whereas the ACP- EU's Partnership Agreement boldly places regional integration as one of its cardinal objectives, the negotiations of EPA has not stated in clear terms how this objective is to be realized in practical terms. Thus, Nigeria rightly becomes scared that what she has been working for all the years could be destabilized and washed down the drains by an external agreement which promises seem to be glossy and shadowy and cannot be felt. Why wouldn't Nigeria sit like an elephant in the middle of the road, of course, to guard what she has sweated for, for many decades now?

Three: More objectively, every negotiation must be preceded by an impact assessment study, which provides the facts and statistics that culminates into the compass for navigating the direction (like a flight) of negotiations. It would be recalled that in the middle of preparations for EPA negotiations, an official impact assessment on Nigeria was commissioned by the European Union on the agreement of both parties under Mr. Mandelson. The study was conducted by ENTERPALN - an EU firm originating from the UK, and, with Terms of Reference (ToR) thereof assembled by the European Commission. However, upon its final release, the same study implicated the EPA of potential debilitating consequences on the economy of Nigeria. In fact, the study

revealed, cautioned and concluded that “the EPA would pose a major challenge to the government of Nigeria.”

Four: Regrettably, rather than calling Nigeria to a table to look for ways and means of addressing and mitigating these challenges, what Mr. Mandelson and his colleagues did was to announce their outright rejection of the study thereby leaving Nigeria with no official evidence-based criteria for identifying and negotiating her interest and positions in the EPA. Funny enough, the then DDG Trade (Mr. Falkenberg) who openly announced this rejection during his visit to the Nigeria’s National Planning Commission told the gathering of Nigerians that the EU has no hidden agenda – a statement that provoked not only uncontrollable laughter, but a hidden wisdom to Nigeria. From then, the elephant started smelling rat and became more careful. How can an economic negotiation of this magnitude be carried out without appropriate evidence, and yet, the EC wants Nigeria to ‘fly’ with a ferocious speed and smile towards signing an EPA?

Five: Dwelling further on the facts espoused by the impact study, noting that the EPA as it is currently being negotiated would weight very negatively on the economy of the West African sub-region and particularly, Nigeria; the study exposed that such negative impacts would manifest in form of loss of government revenue, influx of goods and import surge, capital flight, de-industrialization, labour dislocation and job losses, insecurity and poverty escalation accordingly flowing from the fact that the closure of certain sectors which for obvious reasons may not be able to compete with their European counterparts. The elephant saw this ‘idles of March’ and if you like, the hand writing on the wall, and therefore decided to sit at the middle of the road. Who would blame Nigeria?

Six: Essentially, it would be recalled that Nigeria had done everything possible in the past few years to exit from the Paris club, the London Club, and other lenders shackles. Why some are happy over this development, other may not be, and perhaps the reason for this elephant sitting on the middle of the road is to ensure that the country is not led to shrink and sink into another chain of borrowing resulting from or actuated by the harrowing impacts of any trade agreement.

Seven: Nobody or nation enters into an agreement just for an agreement sake. There must be an intended profit emanating therefrom and driving such force or appetite to hook up and sign the dotted lines. However in the case of the EPA, despite all the touted promises and wonderfully crafted objectives (on paper), no analyst have been able to point out till date, and in practical terms what Nigeria stands to gain quantitatively in the process. Whereas some analysts claim that Nigeria may reap some long term profits from EPA, however, the important question has remained, what happens in the short term on a country whose population are still having about 70% poor? Conversely, investigations into many studies have constantly revealed that Nigeria may come out with her hairs dusty and bruised if she goes into the agreement in its present lopsided manner. For instance, studies have, using a partial equilibrium model, painted classical results from different scenarios which indicate that if Nigeria signs the EPA by 2007, and starts implementation by January 2008, the country would lose about USD478m by the end of

2008. During the same period, the EU would be making a profit of more than USD709m from Nigeria. And so, when the objective of poverty reduction is brought into focus, it becomes laughable even before an 'Adam Smith' on how the EU would be gaining while Nigeria is losing, and yet, poverty would be reduced in Nigeria. Yet, none from the EC has sought to take a microscopic look into ways of solving this problem.

Eight: according to several studies (including the rejected Enterplan study), average loss of around 42% of tariff revenue for the government will be occasioned by the EPA on Nigeria. This loss represents around 3% reduction in the Nigerian government revenue, and according to Enterplan, "although this reduction seems small, it could have a relatively large cumulative effect on the ability of the government of Nigeria to manage its budget without affecting the economy and social welfare". Which government would hear this and not decide to sit in the middle of the road if it really cares for her people?

But funny enough, while observing this, the EU proffered some policy options to compensate for this revenue loss. These include Fiscal Policy Reform, and Retrenchment. But, much as one recognises the importance of fiscal policy reforms in the economy, the other side of the coin is; how credible is a reform when it is targeted at increased tax (as suggested by the EC) to an already poor population, increased taxation targeted on the already fledging productive sector that should rather be enjoying tax rebates, holidays and other incentives as an encouragement for growth? How genuine is an advice that teaches retrenchment of workers in a volatile political space like Nigeria? Did such advice enjoy the benefits of what is happening in the Nigeria Delta of Nigeria in terms of insecurity? On a more radical but serious note, why have their oil companies in Nigeria been evading taxes or short paying the government with little or no jobs to give Nigerian youths as value added? What has the EC said or done in this direction concerning their firms? Must the citizens be made to suffer double punishment just because they want to sign an EPA? This elephant must keep sitting and watching!

Nine: Trade between Nigeria and the EU has remained on the path of imbalance over the last five years. Nigeria has been exporting fewer of its products into the EU market. In fact, it is interesting to note that according to recent statistics Nigeria's export to the EU has gone down to (minus) -5.2% per year. In the converse, the EU's exports to Nigeria have increased over the same period to about (plus) +7.5% per year. A bulk of Nigeria's exports consists of crude oil. The manufacturing sector in coma has not been able to live up to expectation, while the agricultural sector remains at the whims of raw materials export which are most times refined and re-imported into the Country (thereby creating jobs for the countries of origin). Although the Services sector has some potential given its impact on the nation's GDP, however, maximum impact thereof is still being impeded by some trade regulations and regimes. Given that the trade between Nigeria and the EU has for centuries existed without any noticeable transfer of technology or assistance towards competitiveness, capacity building, etc, leading to poor basket of commodities, the elephant is only left to sit down and ponder what products base in terms of quantity and standards are available to match with the latent competition that would arise through the EPA's reciprocity. Recognising the above circumstances and the picture of helplessness therefore, Nigeria appears more comfortable increasingly diversifying its export flows

towards other regions such as the East Asia, China, etc. that are ready to an extent transfer technology into the Nigerian economy, establish their factories therein and create more job opportunities for the teeming youth being churned out yearly from the Universities and Polytechnics. This justifies the caution and carefulness of the sitting elephant against locking her economic prospects in an agreement that does not spell the roadmap to industrialization and sustainable development.

Ten: In the past couple of years, Nigeria was regarded as a pariah nation before the comity of nations and this was under the military rule which took dominance for several decades and dismantled development designs and vision. The developed community shouted and barked on Nigeria for a change to good governance and prudence especially in the management of the economy. But, in recent years, especially since after the return of democracy, things have changed tremendously and Nigeria is busy putting in place all frameworks and strategies that would lead to development. The National Economic Empowerment and Development Strategy (NEEDS) was developed and implemented as a design for getting Nigeria out of the woods. Legal and institutional reforms are taking place. Nigeria now has a trade policy in place, and at present, the government has a seven-point agenda and vision of making Nigeria one of the 20th economies of the world by 2020.

More importantly, the country is reaping increased oil revenue which could not only jumpstart the economy but sustain it, having cleared her indebtedness. Against the backdrop of the above picture, coupled with the resolve to tackle the rot (corruption), the country appears set to climb the rope of sustainable development. So, at this stage of the nation's journey, the most advisable thing to the elephant is to sit steadfastly tight and on the guard to ensure that no kind of external policy or agreement distorts or disorganises her roadmap. This is more so, given that the EPA has not provided any practical supportive strategy on which these visions and development frameworks could recline and succeed. In clear terms, what the elephant is avoiding is any kind of banana peels that can derail the journey she has set off to her promised land - development.

Eleven: In every democracy, the Parliament has the role of performing an oversight function over the Executive. They are also saddled with the sacrosanct statutory responsibility of ratifying international agreements such as the EPA. It is interesting to note that as part of their oversight function, the UK Parliament has a couple of times convened public hearings on the EPA. The reports of such hearings have on many occasions severally indicted the European Commission. In fact, in one report, the Parliament concluded that "the EC is approaching the negotiations as if they were a game poker". The UK Parliament is not the only legislative constituency that has trod this road. The French Parliament as well undertook the same process. Their report also noted serious indictments on the EC and called for a change in the negotiation process. Again, the EU Parliamentary Committee on International issues raised their own report and questioned the pressure on the ACP to conclude negotiations as well as the attempt to ram components like the Singapore through the throat of the ACPs. Their reports further cautioned that development and Special and Differential Treatment should not be slaughtered on the alter negotiations and timelines, noting that in the event the

negotiations are not concluded, the EC should find WTO compatible transitional arrangements that ensure that none of the ACP countries is left worse off than she was under the Cotonou agreement. But how far have the EC harkened to the voice of the elected Parliamentarians and taken their views on board? None of these important elements of worthy consideration have been taken seriously by the EC. In fact, there is an outright disregard for the voice of the Parliament as far as the EPA is concerned. Peter Thompson, the DG Trade told an African Tour group made up of farmers, private sector, CSOs, labour unions and the Parliamentarians that the EC would commit to set aside and ignore the ratification role of the EU Parliament and go ahead with an EPA light (trade only) agreement in the event the ACP accepts to flow along a trade only agreement. With such glaring evidence, the world could now judge and decipher who is sitting like an elephant in the middle of the road.

Twelve: Nigeria and indeed most ACP countries lack the capacity to benefit from an EPA. What this means is that any potential benefit of EPA would be one-sided in favour of the EU. The flanking measures proposed to cushion the negative impacts and prop the future gains to the ACP are at best slippery. What Nigeria is therefore asking for is that no country should be stampeded into signing a bad agreement one which will spell doom for her economy both now and in the future. It has been repeated among trade experts that a no agreement is better than a bad agreement. We need time and policy space to grow our economy tackle the laws, problem of infrastructure, the existing imbalance, create new and relevant institutions, build requisite human capacity requirement for policy making and implementation, etc. None of these appear to be on ground preparatory for an agreement of EPA magnitude. Why then the rush? Our opinion is that there is no better way of reduce poverty and integrate the region into the global economy than providing the needed infrastructure, dealing with the cost of adjustment, enhancing productivity and building human and institutional capacities.

Thirteen: The Cotonou Agreement created the modalities for the new trading arrangements. In Article 36.2, it emphatically stated that “parties agree that the new trading arrangements shall be introduced gradually and recognizes the need, therefore, for a preparatory period”. In furtherance of the explanation of this ‘preparatory period’, Article 37:3 went explicitly to provide that “the preparatory period shall also be used for capacity building in the public and private sectors of ACP countries, including measures to enhance competitiveness, for strengthening of regional organizations and for support of regional trade integration initiatives, where appropriate with assistance to budgetary adjustment and fiscal reform, as well as for infrastructure upgrading and development, and for investment promotion”. Two crucial points come into consideration within the first sentence, and these are; (i) capacity building, and (ii) preparatory period. First, capacity building was targeted succinctly at both the institutions and the private sectors. Article 37:3 suggests that the framers of the Cotonou agreement peeped into the future and discovered that the EPA would constitute a problem to the socio-political economy of the ACPs. In their wisdom, they counseled in advance that prior to the EPA coming into being, capacity building should be undertaken. This was no doubt, in recognition of the weak and vulnerable status of the economies of these poor ACP countries.

But the million dollar question is; what has the EC done about this capacity building in the preparation for the EPA as envisaged by the wisdom of our great patrons? To what extent has the capacity of the ACP private sector been built before the fierce pressure to railroad them into signing an agreement? The EC appears to have sidelined this provision and have only engaged in a hot chase to ensure that the EPA is signed. Specifically speaking, where is the capacity building targeted at enhancing competitiveness and to what extent has that been effected in Nigeria? What has happened to the capacity strengthening of regional organizations (such as ECOWAS and her institutions who are to oversee the implementation of an EPA) been built? Where is the support for regional trade integration initiatives and what has Mr. Mandelson and the EC done to that effect? Where is the assistance for budgetary adjustment and fiscal reforms enunciated in the Cotonou Agreement, and what have the EC and Mandelson done regarding this? What has Mr. Mandelson's EC done concerning the upgrading of infrastructure which is the bane of Nigeria and her brother ACP countries productive sector? If none of these have been done as prescribed by the Cotonou agreement, if the EC has failed or refused to do her own bidding and perform her obligation, why is the EC pushing and compelling the ACPs, and why should Nigeria be slaughtered for sitting at the middle of the road?

Fourteen: Article 37.6 provides that "the community (EC) will assess the situation of the non LDC which, after consultations with the community decide that they are not in a position to enter into Economic Partnership Agreements and will examine all alternative possibilities, in order to provide these countries with a new framework for trade which is equivalent to their existing situation and in conformity with the WTO rules". The connotation of this provision is that the drafters recognized that some countries, especially among the non-LDCs may not be able to sign an EPA. This is no doubt in recognition that the LDCs have their automatic EBA, but essentially, in connection with the unstable nature of their economies and development plans (because they are at the middle of development indices which could easily be swayed). This responsibility was laid on the door step of the EC. Sadly enough, despite these clear provisions, the same EC (under Mandelson) that originated the agreement kept insisting "there is no plan B as far as the EPA is concerned". To them, the issue of alternatives was a 'no go area'. It took a lot of pressure and tears especially from civil society and Parliamentarians before the EC decided to move a step towards what looks like options. Apparently, anticipating that Nigeria would be going for a GSP+ alternative (which she qualifies for) at least as a transitional arrangement, the EC pronounced as impossibility, accession to GSP+. The elephant may still have a long time to sit in the middle of the road.

To conclude this piece, a tale that illustrates the 'elephant phenomenon' will suffice. Once upon a time, Lion, the king of the animals was seriously ill. The animals consulted an oracle which said that the only remedy for the life of the King to be preserved is a portion to be prepared with the elephant's tusk. How on earth would the animals get the elephant's tusk because that meant killing the elephant? Tortoise, reputed to be the most cunning of the animals had the answer. "Since the elephant had always wanted to be King", he said, "let us pretend that Lion, the King, is dead and tell the elephant that we have decided that he becomes our next King, then, we shall invite him to the village square for coronation. Tortoise concluded by telling the animals that before the 'D' day,

they should make a big pit, overlay it with a mat and place a throne on it for the elephant so that as he ascends the throne, he will fall into the pit, and then, comes the kill and his tusk for the treatment of lion – the king of animals”. The animals accepted this scheme and the elephant fell for their bait and the rest, as they say, is history. But what are the lessons? One, the instinct to survive is a very strong one and some would not mind sacrificing one of their kind to survive. Two, deception or intrigue is a tool in the game of survival. Three, a bait is that which can appeal to the object intended to be captured, that is, the power of a bait is proportionate to the attraction it holds to game intended to be captured; and finally, **it is better to sit in the middle of the road than ascend to a throne which is a short cut to a descent into abyss.**

Frankly speaking, if the EC is honest with the EPA, the likes of Mandelson should be more concerned with the livelihoods of the people whose 70% depend on subsistence agriculture, he should be more concerned therefore with the protection of food security, he should be more concerned with the right to freedom of expression especially on an issue that relates to the economic future of the poor, more concerned with the protection of the various commitments under the United Nations Declaration on Human Rights – which the EU member countries are signatories to. Gone are the days when responsible governments should be led blindfolded into taking decisions and signing papers that are capable of slaying their citizens almost forever. These are the days of seeing it clearly before approaching the dotted lines. We must collectively recognize our commitments to the Millennium Development Goals and work tenaciously towards achieving them and in so doing, removing every roadblock that impedes or stagnates our collective pledge and undertaking.

The faces of African children suffering from malnutrition paraded over the International Televisions of this world should provide a sympathetic consideration of the outcome of any trade agreement between the poor and the rich countries, epitomized by the EPA. Mandelson should please leave Nigeria alone and concentrate on countries whose personal gains supersede that of their national interests. Although unscrupulous past Nigerian rulers have sold their ‘morsel of yam’ and sent their corrupt loots to some developed countries who gave immoral protection thereof, it must however, be made clear that the present Nigerian government and leaders are sensible enough and do not appear ready to play with their citizens lives into the hands of anyone, country or group of countries. Nigeria remains a sweet and attractive market that any one would like to court, and according to Nigerian Imokhuode, “ignore Nigeria can only be ignored at ones own peril” And for EPA, Nigeria shall continue to sit in a comfortable and relaxed manner even in the middle of the road until all cards in the EPA negotiations are brought on the table.

By
Ken Ukaoha, Esq. &
Leo Ugbajah, Esq.
National Association of Nigerian Traders (NANTS)