



Nigeria's losses of import duties if the regional EPA is implemented: 2020-50

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After the Brexit it is useful to update the value of imports and losses of import duties (ID) of Nigeria from the EU28 minus the United Kingdom (EU28-UK) in case of the implementation of the regional EPA (Economic Partnership Agreement), and this on the basis of EU28-UK exports in 2015. We have completely recalculated, tariff line by tariff line, the data presented in a document of April 2016¹ both to better stick to the timetable for the 4 groups of products excluded from liberalization (D) or liberalized (A, B and C) and to the rates of ID provided in the EPA Agreement (0%, 5%, 10%, 20% and 35%)². We did the calculations by grouping several chapters of the Harmonized System (HS) of trade codifications: see Appendix.

As the WA Member States do not have reliable customs statistics and even more for 2015 and as the United Nations ITC Trade Map database is not reliable either³, we took as a basis the EU28-UK exports to WA, that were supplemented by adding the following data:

- Addition of 30% to the FOB value (free on board) of EU28-UK exports to get the CIF value (cost, insurance, freight) of Nigeria imports. Previously we had taken 20% but this percentage seems inadequate especially for Nigeria and the landlocked countries of the Sahel.
- Addition of imports and ID due to the growth of the WA population according to the UN database, revised in 2015. We have retained a growth rate of WA imports limited to 2/3 of the population's growth rate.
- Addition of 25% to the CIF values to reflect the diversion of WA imports in favour of the EU28-UK and to the detriment of imports from the other WA States and from third countries. We have reduced to 25% the previous 32.5% taken from Fontagné et al.⁴ as this percentage seems excessive compared with other estimates, and we have also calculated the losses without any trade diversion.
- Addition of the value added tax (VAT) on imports since it is levied on the CIF value plus import duties. As imports from the EU28-UK would rise with the EPA, the VAT would rise accordingly.

We met great difficulties to impute the DD of the ECOWAS CET (Common External Tariff) per tariff line, which are also those of the EPA, as its tariff lines are often very different from those of Eurostat which are generally more detailed at the HS 10 digits level, so that it is not always clear whether we should impute the ID rates of excluded products (particularly those

¹ *The folly to implement the EU-West Africa Economic Partnership Agreement (EPA), based on 2015 trade data*, SOL, 19 April 2016, <http://www.sol-asso.fr/analyses-politiques-agricoles-jacques-b/>

² http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153869.pdf

http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153870.pdf

Group A covers essential social goods, basic necessities, basic commodities, capital goods and specific inputs; group B includes mainly inputs and intermediate goods and group C covers mainly final consumption goods.

³ According to ITC TradeMap the EU28 total imports from ECOWAS were of €40 billion in 2014 whereas ECOWAS exports to the EU28 were of €34.5 billion. For all cereal the figures are almost identical: €470.8 million of EU28 exports to ECOWAS (FO value) and €478.4 million of ECOWAS imports from the EU28 (CIF value), denying the sharp difference between EU FOB value and WA CIF value.

⁴ http://lionel.fontagne.free.fr/papers/fontalabmita_JAE.pdf

at 20% or 10%) or those of liberalized products (of groups B or C at 10% or 20%). I have explained this issue in detail in the previous paper for the whole WA.

The imports of products excluded from liberalization under the EPA are not prohibited but their ID will not be reduced with the EPA. And to say that WA exports will not be taxed by the EU with the EPA, like those of LDCs without the EPA, does not mean they will not be subject to a double bind: to meet the EU criteria on rules of origin and on sanitary and phytosanitary rules.

Although the excluded products can continue to be imported at the existing ID of year T and as those imports could increase, we will limit ourselves to calculate the reduction of ID on the liberalized products of groups A, B and C from the EU28-UK. The ID collected on imports of excluded products would simply be increased by 30% in CIF value compared to their EU FOB value but we do not have to apply an impact of trade diversion in relation to third countries since their ID would remain the same. As for the impact related to the increased population it could play in part on the excluded products taxed at 10%, which represented 27.7% of the imports of excluded products coming from the EU28-UK in 2015. But we will limit here the analysis to the impact of liberalized products.

The losses of ID results from the comparison of their level at the average rate of 8.59% without the EPA recorded in 2015 with their level with the EPA.

If the Brexit took place in 2015, table 1 shows that the €8.865 billion of EU28-UK exports to Nigeria would have generated €856 million of ID (at EU FOB values), at an average rate of 9,66%, of which 13.90% on the excluded products and 8.73% on products fully liberalized in T20. Let us stress that Nigeria would be much more penalized than the whole WA by the EPA: first because the share of liberalized products would be of 82.1% against 76.3% for the whole WA and the share of ID on the liberalized products would be of 70.9%, against 61% for the whole WA, implying that Nigeria budget would suffer more than WA in general.

Table 1 – WA and Nigeria reductions of import duties on the EU28-UK exports with the EPA

€ million	In T (2015)			Reductions of WA ID in EU FOB value from T5 (2020) to T20 (2035)			
	EU exports	WA ID FOB EU	ID rate	T5 (2020)	T10 (2025)	T15 (2030)	T20 (2035)
Whole West Africa							
Excluded products	6191,6	1090,5	17,61	1090,5	1090,5	1090,5	1090,5
Liberalized products	19856,6	1706,2	8,59	1367,8	679,7	65,6	0
Total	26048,2	2796,7	10,74	2458,3	1770,2	1156,1	1090,5
% liberalized products	76,3%	61%		55,6%	38,4%	5,7%	0%
Nigeria							
Excluded products	1590	221	13,90	221	221	221	221
Liberalized products	7275,4	635,1	8,73	537,7	267,7	13,4	0
Total	8865,4	856,1	9,66	758,7	488,7	234,4	221
% liberalized products	82,06%	74,2%		70,9%	54,8%	5,7%	0

Table 2 presents the annual reduction of customs revenues (ID + VAT) on the liberalized products imported from the EU28-UK. Taking into account the four additions due to the difference between EU FOB values and Nigeria CIF values, the increased population (imports and ID rising at a rate 2/3 of the population growth rate), the diversion of imports favouring the EU, and the reduction in the VAT on imports, total imports of liberalized products increase from €9,5 billion in T (2015) to €16.3 billion in T20 (2035) and €20 billion in T35 (2050).

Table 2 – Nigeria's losses of customs duties on the EU28-UK exports with the EPA: 2020-50

Euros million	Imports at T	Import duties on the EU28-UK FOB value				
		T0 (2015)	T5 (2020)	T10 (2025)	T15 (2030)	T20 (2035)
WA imports and import duties at CIF values of liberalized products (+30% on average over the EU FOB value)						
	9458	825,6	699	348	17,4	0
Imports and import duties on liberalized products taking into account the population increase of Nigeria						
		T to T5	T5 to T10	T10 to T15	T15 to T20	T20 to T35
Population increase (%/year)		2,57%	2,46%	2,37%	2,28%	2,054%
Increased imports		1,71%	1,64%	1,58%	1,52%	1,37%
	T	T5	T10	T15	T20	T35
Total liberalized imports	9458	10295,8	11168,2	12078,8	13025,1	15974,4
Imports duties with the EPA	825,6	760,8	377,5	18,8	0	0
WA imports and import duties with trade diversion of liberalized products (+25% on average over the WA CIF value)						
Total liberalized imports	9458	12869,8	13960,3	15098,5	16281,4	19968
Imports duties with the EPA	825,6	951	471,9	23,5	0	0
Total annual reductions of customs revenues with the losses of VAT on imports						
ID rate without EPA	8,73%	8,73%	8,73%	8,73%	8,73%	8,73%
ID without EPA	825,6	898,8	975	1054,5	1137,1	1394,6
Imports + ID without EPA	10283,6	11194,6	12143,2	13133,3	14162,2	17369
VAT at 5% without EPA	514,2	559,7	607,2	656,7	708,1	868,5
ID + VAT without EPA	1298,5	1458,5	1582,2	1711,2	1845,2	2263,1
Imports + ID with EPA	10283,6	13820,8	14432,2	15122	16281,4	19968
VAT with EPA	514,2	691	721,6	756,1	814,1	998,4
VAT gains with EPA	0	131,3	114,4	99,4	106	129,9
ID losses with EPA	0	-52,2	503,1	1031	1137,1	1394,6
Net losses ID+VAT with EPA		-183,5	388,7	931,6	1031,1	1264,7
Total cumulative losses of customs revenues on imports (ID + VAT) with the EPA from T5 (2020) to T20 (2035) and T35 (2050)						
Cumulative losses		-183,5	462,4	3905,4	8858,1	26313,3

Table 3 presents the annual and cumulative losses of customs duties (ID + VAT) on liberalized products from T5 (2020) to T35 (2050): the EPA would first generate net cumulative gains from T5 to till T8 (2023) because additional VAT due to trade diversion are larger than the losses of ID, after which the losses would rise fast, from €73.2 M in T13 (2028) to €3.905 billion in T15 and €8.858 billion in T20 (2035), exploding at €26.313 billion in T35 (2050).

Table 3 – Nigeria's annual & cumulative losses of ID and VAT on imports from EU28-UK with EPA

€ million	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Annual						-183,5	-56,7	-8,2	68,4	191,7	388,7	469,5
Cumulative						-183,5	-240,2	-248,4	-118	73,7	462,4	931,9
	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Annual	562,2	668,7	791	931,6	950,7	970,2	990,2	1010,5	1031,1	1045,3	1059,6	1074,1
Cumulative	1494,1	2182,8	2973,8	3905,4	4856,1	5826,3	6816,5	7827	8858,1	9903,4	10963	12037,1
	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Annual	1088,8	1103,8	1118,8	1134,1	1149,8	1165,5	12906,6	1197,7	1214,1	1230,7	1247,6	1264,7
Cumulative	13125,9	14229,7	15418,5	16552,6	17702,4	18867,9	20158,5	21356,2	22570,3	23801	25048,6	26313,3

But let us underscore that the loss of customs revenues (ID + VAT) would be higher by more than one third without trade diversion which has the effect of increasing VAT receipts with the EPA. Thus table 4 shows that the losses of ID + VAT would immediately appear in 2020, the cumulative losses rising to €2.258 billion in 2025, €7.138 billion in 2030, €13.494 billion in 2035 (T20) and €35.593 billion in 2050 (T35).

Table 4 – Nigeria's annual & cumulative losses of ID and VAT without trade diversion with EPA

€ million	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Annual						160,1	214,6	287,7	385,7	517,1	693,1	773,7
Cumulative						160,1	374,7	662,4	1048,1	1565,2	2258,3	3032
	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Annual	863,7	964,1	1076,3	1201,4	1224,1	1247,3	1270,8	1294,8	1319	1337,1	1355,4	1374
Cumulative	3895,7	4859,8	5936,1	7137,5	8361,6	9608,9	10879,7	12174,5	13493,5	14830,6	16186	17560
	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Annual	1392,8	1411,9	1431,2	1450,9	1470,7	1490,9	1511,3	1532	1553	1574,3	1595,8	1617,7
Cumulative	18952,8	20364,7	21795,9	23246,8	24717,5	26208,4	27719,7	29251,7	30804,7	32379	33974,8	35592,5

The actual losses could be between these two extremes if the trade diversion were limited to 12.5% of the CIF imports coming from the EU28-UK.

Conclusion: Nigeria should join with the 13 WA LDCs to denounce the WA EPA as well as the iEPAs of Ghana and Ivory Coast which would destroy the WA core objective of regional integration. At the same time they should pressure the EU institutions to grant to Nigeria, Ghana and Ivory Coast the GSP+ status and to at least align the IDs of the standard GSP status on the level of IDs granted in its other FTAs.

Appendix 1 – Evolution from T to T20 of the EU28-UK FOB exports to Nigeria and of Nigeria's losses of import duties according to groups and ID rates, in euros

HS chapters	Groups	ID rates	EU exports	T (2015)	T5 (2020)	T10 (2025)	T15 (2030)	T20 (2035)
01-02	D	35%	1124157	393454,95	393454,95	393454,95	393454,95	393454,95
03-04		35%	123232	43131,2	43131,2	43131,2	43131,2	43131,2
05-08		35%	132151	46252,85	46252,85	46252,85	46252,85	46252,85
15-18		35%	5993923	2097873,05	2097873,05	2097873,05	2097873,05	2097873,05
19-24		35%	15825433	5538901,55	5538901,55	5538901,55	5538901,55	5538901,55
29-37		35%	23335516	8167430,6	8167430,6	8167430,6	8167430,6	8167430,6
51-59		35%	327365	114577,75	114577,75	114577,75	114577,75	114577,75
Sub-total		35%	46861777	16401621,95	16401621,95	16401621,95	16401621,95	16401621,95
01-02	D	20%	163030	32606	32606	32606	32606	32606
03-04		20%	51803331	10360666,2	10360666,2	10360666,2	10360666,2	10360666,2
05-08		20%	6386153	1277230,6	1277230,6	1277230,6	1277230,6	1277230,6
09-14		20%	7303	1460,6	1460,6	1460,6	1460,6	1460,6
15-18		20%	9557970	1911594	1911594	1911594	1911594	1911594
19-24		20%	359720199	71944039,8	71944039,8	71944039,8	71944039,8	71944039,8
25-28		20%	2530068	506013,6	506013,6	506013,6	506013,6	506013,6
29-37		20%	55561632	11112326,4	11112326,4	11112326,4	11112326,4	11112326,4
38-43		20%	53846866	10769373,2	10769373,2	10769373,2	10769373,2	10769373,2
44-50		20%	21238632	4247726,4	4247726,4	4247726,4	4247726,4	4247726,4
51-59		20%	38538540	7707708	7707708	7707708	7707708	7707708
60-62		20%	5179614	1035922,8	1035922,8	1035922,8	1035922,8	1035922,8
63-70		20%	76515933	15303186,6	15303186,6	15303186,6	15303186,6	15303186,6
71-73		20%	444352	88870,4	88870,4	88870,4	88870,4	88870,4
74-76		20%	5015331	1003066,2	1003066,2	1003066,2	1003066,2	1003066,2
77-83		20%	24239428	4847885,6	4847885,6	4847885,6	4847885,6	4847885,6
84		20%	14209864	2841972,8	2841972,8	2841972,8	2841972,8	2841972,8
85		20%	14945269	2989053,8	2989053,8	2989053,8	2989053,8	2989053,8
86-90		20%	68175449	13635089,8	13635089,8	13635089,8	13635089,8	13635089,8
91-97		20%	42963433	8592686,6	8592686,6	8592686,6	8592686,6	8592686,6
Sub-total		20%	851042397	170208479,4	170208479,4	170208479,4	170208479,4	170208479,4
03-04	D	10%	230569815	23056981,5	23056981,5	23056981,5	23056981,5	23056981,5
09-14		10%	5060959	506095,9	506095,9	506095,9	506095,9	506095,9
15-18								
19-24		10%	908174	90817,4	90817,4	90817,4	90817,4	90817,4
29-37		10%	18208013	1820801,3	1820801,3	1820801,3	1820801,3	1820801,3
38-43		10%	7403102	740310,2	740310,2	740310,2	740310,2	740310,2
50-59		10%	3721923	372192,3	372192,3	372192,3	372192,3	372192,3
63-70		10%	267793	26779,3	26779,3	26779,3	26779,3	26779,3
71-73		10%	1250	125	125	125	125	125
77-83		10%	698798	69879,8	69879,8	69879,8	69879,8	69879,8
86-90		10%	76533380	7653338	7653338	7653338	7653338	7653338
Sub-total		10%	343373207	34337320,7	34337320,7	34337320,7	34337320,7	34337320,7
29-37	D	0%	0	0	0	0	0	0
Total	D	0% à 35%	1241277381	220947422,1	220947422,1	220947422,1	220947422,1	220947422,1
01-02	A	5%	225356	11267,8	0	0	0	0
03-04		5%	140471272	7023563,6	0	0	0	0
05-08		5%	63147	3157,35	0	0	0	0
09-14		5%	151169672	7558483,6	0	0	0	0
15-18		5%	4836146	241807,3	0	0	0	0
19-24		5%	50131856	2506592,8	0	0	0	0
25-28		5%	53570771	2678538,55	0	0	0	0
29-37		5%	100531751	5026587,55	0	0	0	0
38-43		5%	59257060	2962853	0	0	0	0
44-50		5%	53473728	2673686,4	0	0	0	0
51-59		5%	5213467	260673,35	0	0	0	0
63-70		5%	508598	25429,9	0	0	0	0

71-73		5%	1135207	56760,35	0	0	0	0
74-76		5%	41875756	2093787,8	0	0	0	0
77-83		5%	13842901	692145,05	0	0	0	0
84		5%	842984157	42149207,85	0	0	0	0
85		5%	208798654	10439932,7	0	0	0	0
86-90		5%	220549073	11027453,65	0	0	0	0
91-97		5%	2340	117	0	0	0	0
Sub-total		5%	1948640912	97432045,6	0	0	0	0
25-28	A	0%	8908752	0	0	0	0	0
29-37			95877111	0	0	0	0	0
38-43			9463493	0	0	0	0	0
44-50			50928375	0	0	0	0	0
71-73								
85			1477381	0	0	0	0	0
86-90			30023	0	0	0	0	0
Sub-total			166685135	0	0	0	0	0
Total A			2115326047	97432045,6	0	0	0	0
01-02	B	10%	84567	8456,7	4228,35	2114,175	0	0
03-04		10%	666712	66671,2	66671,2	33335,6	0	0
09-14		10%	5226713	522671,3	522671,3	261335,65	0	0
15-18		10%	702959	70295,9	70295,9	35147,95	0	0
19-24		10%	38616050	3861605	3861605	1930802,5	0	0
25-28		10%	3969492639	396949263,9	396949263,9	198474632	0	0
29-37		10%	202422554	20242255,4	20242255,4	10121127,7	0	0
38-43		10%	106674342	10667434,2	10667434,2	5333717,1	0	0
44-50		10%	45027529	4502752,9	4502752,9	2251376,45	0	0
51-59		10%	2869792	286979,2	286979,2	143489,6	0	0
63-70		10%	14348758	1434875,8	1434875,8	717437,9	0	0
71-73		10%	16599110	1659911	1659911	829955,5	0	0
74-76		10%	12737283	1273728,3	1273728,3	636864,15	0	0
77-83		10%	8652149	865214,9	865214,9	432607,45	0	0
84		10%	202257361	20225736,1	20225736,1	10112868,05	0	0
85		10%	104280077	10428007,7	10428007,7	5214003,85	0	0
86-90		10%	81789069	8178906,9	8178906,9	4089453,45	0	0
91-97		10%	5688721	568872,1	568872,1	284436,05	0	0
Sub-total		10%	4818136385	481813638,5	481809410,2	240904705,1	0	0
09-14	B	5%	60	3	3	0	0	0
38-43		5%	7199855	359992,75	359992,75	0	0	0
71-73		5%				0	0	0
Sub-total		5%	7199915	359995,75	359995,75	0	0	0
29-37	B	0%	27218697	0	0	0	0	0
Total	B	0% à 10%	4852554997	482173634,3	482169405,9	240904705,1	0	0
01-02	C	20%	17556	3511,2	3511,2	1755,6	877,8	0
03-04		20%	612614	122522,8	122522,8	61261,4	30630,7	0
05-08		20%	2255817	451163,4	451163,4	225581,7	112790,85	0
09-14		20%	5535792	1107158,4	1107158,4	553579,2	276789,6	0
15-18		20%	3979	795,8	795,8	397,9	198,95	0
19-24		20%	1823143	364628,6	364628,6	182314,3	91157,15	0
25-28		20%	1093477	218695,4	218695,4	109347,7	54673,85	0
29-37		20%	9520573	1904114,6	1904114,6	952057,3	476028,65	0
38-43		20%	16140018	3228003,6	3228003,6	1614001,8	807000,9	0
44-50		20%	1437574	287514,8	287514,8	143757,4	71878,7	0
51-59		20%	2165981	433196,2	433196,2	216598,1	108299,05	0
60-62		20%	11805242	2361048,4	2361048,4	1180524,2	590262,1	0
63-70		20%	32941046	6588209,2	6588209,2	3294104,6	1647052,3	0
71-73		20%	10078512	2015702,4	2015702,4	1007851,2	503925,6	0
74-76		20%	856476	171295,2	171295,2	85647,6	42823,8	0
77-83		20%	11498292	2299658,4	2299658,4	1149829,2	574914,6	0
84		20%	71785550	14357110	14357110	7178555	3589277,5	0
85		20%	50002260	10000452	10000452	5000226	2500113	0
86-90		20%	5530964	1106192,8	1106192,8	553096,4	276548,2	0
91-97		20%	32529629	6505925,8	6505925,8	3252962,9	1626481,45	0
Sub-total		20%	267634495	53526899	53526899	26763449,5	13381724,75	0
38-43	C	5%	39849556	1992477,8	1992477,8	0	0	0
70-73								
86-90		5%	5482	274,1	274,1	0	0	0
Sub-total		5%	39855038	1992751,9	1992751,9	0	0	0
Total	C	5% et 20%	307489533	55519650,9	55519650,9	26763449,5	13381724,75	0
TOTAL	A+B+C		7275370577	635125330,8	537689056,8	267668154,6	13381724,75	0
TOTAL	A+B+C+D		8516647958	856072752,8	758636478,9	488615576,6	234329146,8	220947422,1
ABC/ABCD	ABC/ABCD		0,854252825	0,741905789	0,708757187	0,547809295	0,057106531	0

