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Repoa Brief

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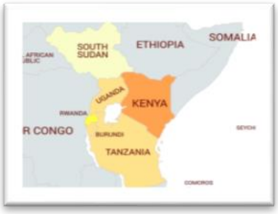
The EU-EAC Economic Partnership Agreement (EPA)—Background Assessment of the EAC-EU EPA

By REPOA

Key Messages

Parties	**Low-Middle-Income States: Tanzania (since 2020) and Kenya**
	Low-Income States: Uganda, Rwanda, Burundi
	Low-Income States: South Sudan and Democratic Republic of Congo—Joined the EAC in 2016/2022, did not take part in the negotiations, but can join the EU-EAC EPA once it comes into force



	The European Union and its 27 Member States (Post Brexit)
EAC-EU EPA	Negotiations for an EUC-EAC EPA were finalised in October 2014. The consolidated draft agreement was published in October 2015, opening the way for the signature and ratification process.
Objectives	➢ To foster the structural transformation of EAC economies, and their diversification and competitiveness by enhancing their production, supply and trading capacities.
	➢ To sustainably integrate the EAC economies into the global economy and the inherent regional value chains (RVCs) and global value chains (GVCs).
	➢ To liberalize most trade in goods and services – with the exception of sensitive sectors and products – in conformity with World Trade Organization (WTO) rules (Article XXIV, GATT).
Coverage	The consolidated text of the EU-EAC EPA provides:
	✓ **Trade in goods facilitation.**
	✓ **Sustainable development of agriculture and fisheries.**
	✓ **Economic and development cooperation.**
	✓ **Institutional provisions.**
	✓ **Dispute avoidance and settlement.**
Prospects/ Going Forward	The draft EPA agreement (October 2014) contains a *rendezvous* clause, (a commitment) to conclude negotiations on **trade in services; trade, environment and sustainable development;** and **other chapters** within five years of the entry into force of the agreement.
	The additional trade-related chapters (deepening of the EPA) to be negotiated include:
	➢ **investment and private sector development,**
	➢ **competition policy,**
	➢ **transparency in public procurement,**
	➢ **intellectual property rights,**
	➢ **digitalization / e-commerce,**
	➢ **general exceptions.**

The East African Community—one of the most integrated regional economic communities in Africa

Customs Union (2005)	Most goods and services are traded duty-free between its member states
	A common external tariff (CET) with third countries
	Goods moving freely within the EAC must comply with the EAC Rules of Origin

Common Market (2010)	Free movement of goods, persons, labour, services and capital	
	Right of establishment, and right of residence	
Monetary Union Protocol (2013)	Lays groundwork for a monetary union within 10 years (by 2024)	
	Partner States aim to, *inter alia,* harmonise monetary and fiscal policies; harmonise financial, payment and settlement systems; establish an East African Central Bank.	

Once it enters into force, the EU-EAC EPA will provide immediate duty-free, quota-free access to the EU market for all EAC exports, combined with partial and gradual opening of the EAC market to imports from the EU. The EPA contains detailed provisions on sustainable agriculture and fisheries, rules of origin, and sanitary and phytosanitary measures. The Parties are committed to concluding additional negotiations under the indicated 7+ key chapters within five years of the entry into force of the agreement and to ensuring synergies with the AfCFTA.

The current EAC-EU EPA provides for:

1. **Duty-free, quota-free (DFQF) access to the EU market for all EAC products—**provide full DFQF market access conditions for goods originating in the EAC Partner States into the market of the EU on a secure, long-term and predictable basis. The DFQF access will be immediately applicable after ratification of the EU-EAC EPA. The DFQF is mainly of interest to the Low-Middle Income Countries:

2022	**Kenya and Tanzania**
2024	**Kenya, Tanzania and Rwanda**

Other EAC countries—Uganda, Burundi, South Sudan and DRC—being LDCs, have DFQF access through the 'everything but arms' (EBA), without having to provide free access to EU products in return. However, the EU holds the opinion that EPAs are favourable for LDCs too, as they define more flexible rules of origin and provide for support to improve infrastructure, standards, market monitoring, and sustainable development in key sectors. *Details under briefs 2-5.*

2. **Asymmetric, progressive and gradual opening of EAC markets to EU products and services**—the EAC partner states to the EPA will have to progressively lower taxes on EU imports, giving EAC countries time and opportunity to adapt to EU competition. The EAC has committed to ensuring that 82.6 % (by value) of goods coming from the EU will be imported duty-free. This liberalisation will be carried out over a period of 25 years after the entry into force of the agreement.

Goods of economic importance to the EAC	*various agricultural products*	*wines and spirits*	*chemicals*	*plastics*
	wood-based paper	*textiles and clothing*	*footwear*	*glassware*
	articles of base metal	*ceramic products*	*vehicles*	

These will continue being taxed, in order to protect them from competition. The Parties agreed on cooperation to facilitate the movement of goods and simplify customs procedures.

3. **Imposing export taxes made difficult**—Export taxes on raw materials or non-processed foods encourage the development of a domestic industry. There are already quite a few export taxes in the EAC countries. The EU is strongly against export taxes—although they are not forbidden by the WTO—since they increase the prices of raw commodities needed by the EU market. As a result, export taxes will not be eliminated by the EPA, but introducing new ones will be subject to certain limitations. Accordingly, EAC members will be able to impose new export taxes only after notifying the EU and for a limited period of time: after 48 months, they will be subject to a review by the joint EU-EAC EPA Council.

4. **Loss of revenue**—is expected to be 'modest'—resulting from the elimination or reduction of tariffs should be covered 'transitionally' by the EU (Article 100- 1(c), EPA). EU support will be financed through existing instruments: mainly the EU development budget, through the 'Aid for trade strategy'. EAC countries will have to create a dedicated fund to which they will channel resources for the implementation of the EPA. *Details under BRIEF 3.*

5. **Placing limits on non-tariff barriers**—Non tariff barriers, such as country-specific standards, rules of origin, rule of cumulation, and sanitary and phytosanitary conditions, are seen as restricting the free exchange of goods and

services. The EPA provides for placing limits on these barriers, while reinforcing the measures that already exist for intra-EAC trade. *Details under BRIEF 3.*

Technical Barriers to Trade (TBT)

- In compliance with WTO rules on technical barriers to trade, the EU and the EAC commit to harmonising their technical standards as much as possible, and to mutually recognising those that are not common.

Rules of Origin

- As DFQF conditions would immediately apply to EAC products imported into the EU, it is important to determine whether a product is considered as originating from the EAC or not.
- In order to favour industrial development in EAC countries, it was decided that the rules of origin would be less strict (i.e. allowing a possibly bigger proportion of foreign materials in the processed products) for EAC producers than for EU producers.
- A protocol to the agreement details what level of processing is sufficient for a product to be considered as originating from the EAC.

Rules of Cumulation

- The EPA would make it easier to label a product as 'made in' an EAC country, even if some of its parts originated from other countries—provided the latter benefit from a GSP scheme or a free-trade agreement with the EU.
- Such products would therefore have preferential market access to the EU.
- The EPA also simplifies the procedure for btaining proof of origin.

Sanitary and Phytosanitary (SPS) Measures

- These are primarily aimed at protecting consumers by guaranteeing the safety of food, animal or plant products.
- They have to be proportionate to the risks, and should not be used as a means to restrict imports in favour of domestic products.
- The SPS measures built into the EPA are actually a trade-off between market openness and health protection.
- The EPA mainly provides for a rapprochement of SPS measures, supported by capacity-building actions and funding from the EU. Also, new SPS measures should not be imposed without consulting the other party.

6. **Enhanced development cooperation in agriculture and fisheries**—Two specific parts of the EPA are dedicated to fisheries and agriculture (Parts III and IV). Beyond purely trade-oriented provisions, such as the rules of origin, these parts address capacity-building in the management of resources in detail, and define objectives for supporting infrastructure and trade reforms as a way to promote sustainability and food security. The EPA further mentions that the partners are committed to enhancing the fisheries and agriculture sectors' compliance with international standards. A monitoring system is planned to be put in place, to help manage natural resources and prevent or counteract unfair practices, including illegal, unreported and unregulated fishing (IUU). Development cooperation in other sectors, such as energy, transport and ICT, is also delineated in the EPA, but in much less detail. *Details under BRIEFS 4 and 5*.

The signing of the EPA has been stalled because of discussions within the EAC. Kenya is the only EAC country to have ratified the agreement, in order not to lose duty and quota-free access to the EU market. Conversely, as the EAC is already the most integrated African regional economic community, disagreements on the EU-EAC EPA between EAC member states have resulted in a deadlock. The EAC already has a common external tariff (CET) that risks being disrupted if not all EAC member states are part of the same EPA.

NEXT STEPS	Signature and ratification of the EU-EAC EPA;
	EPA Implementation (removing barriers, support to implementation and liberalisation);
	Deepening and widening of the EPA (negotiation of the five+ chapters—EPA deepening, and South Sudan and DRC's accession to EU-EAC EPA—EPA widening);
	Ensuring synergies with the AfCFTA towards a continent-to-continent dimension [Africa].

Summary of the Key Benefits of the EPA

Benefits	Means
EPAs create new business opportunities	Firms from partner states under an EPA have full DFQF market access to the EU;
	Partner states can import the inputs and intermediate products they need, at lower prices;
EPAs help partner states attract more investment	EPAs are permanent, with no end date. That gives potential investors, whether local or foreign, the long-term stability they look for;
	EPAs also signal that the partner states are serious about attracting businesses and giving them good prospects to set up and/or expand;
EPAs generate more and better jobs	EPAs help partner states to sustainably compete. That helps them expand their economies. New industries spring up, creating jobs;
	EPAs also encourage governments to work with stakeholders to improve labour standards;
EPAs cut the costs of external rade	Along with every EPA the EU provides Aid for Trade. This helps countries adapt their customs procedures and reduce paperwork;
EPAs protect local producers	EPAs enable partner states to protect their local producers that might otherwise struggle to compete against EU imports;
	Partner states keep tariffs on all sensitive goods that they chose, such as foodstuffs. And if imports of some goods suddenly surge, they can apply safeguards—quotas;
EPAs encourage industrialization	EPAs help partner states produce and export higher-value processed goods instead of just unprocessed, lower-value commodities;
	EPAs do so thanks to highly flexible rules that determine where products are from;
EPAs support partner states' farmers	EPAs support partner states' farmers in meeting the EU's high standards in food safety and animal and plant health;
	And they ban EU subsidies on exports of agricultural products to partner states, meaning higher revenues for local producers;
EPAs promote closer relations between neighbouring countries	EPAs build on the existing RECs to integrate their economies;
	EPAs also promote regional value chains. One country can process inputs from neighbours and still benefit from duty-free access to Europe;
EPAs promote shared values	In every EPA the EU and its partners agree to promote labour standards and environmental protection; good governance; and human rights;
	And to put the EPA into practice, they involve everyone from officials and MPs, to business groups, NGOs and trade unions;
EPAs help the parties respond together to global opportunities and challenges	EPAs are partnerships. In the past, the EU offered unilateral access to its market, which it could withdraw at any time. Now both sides make binding commitments to each other;
	EPAs also create joint institutions. These mean partner states and the EU can discuss and reach decisions together;
	And EPAs come with EU development aid. This helps partners states make the most out of these agreements.

Bibliography:

1. EU-EAC EPA Consolidated text, October 2014;
2. REPOA Research Study on the Implications of the EU-EAC EPA on the EAC and Tanzania Economies; October 2021

This is the first of a five-part series of policy briefs presenting findings of a research study the "Implications of EU-EAC Economic Partnership Agreement (EPA) on Tanzania." The study is part of a broader research and capacity building project "*Targeted support to strengthen capacity of policy makers, exporters, and trade associations to assess and review trade and related economic policies to promote trade competitiveness and diversification for widening trading opportunities with the EU*" implemented by REPOA and ISS-Erasmus – funded by the European Union (EU) through the EU-ACP TradeCom II Programme. Its contents are the sole responsibility of REPOA and do not necessarily reflect the views of the European Union, the EU-ACP TradeCom II Programme or ISS-Erasmus.

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