

Repoa Brief



The EU-EAC Economic Partnership Agreement (EPA)—The EU Trade and Investment with Tanzania

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 EU-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	<ul style="list-style-type: none"> ➤ 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 strengthen the existing relations between the Parties on the basis of solidarity and mutual interest—support a new trading dynamic between the Parties, and broaden and deepen cooperation in all areas relevant to trade and investment.
Coverage	<p>The consolidated text of the EU-EAC EPA provides:</p> <ul style="list-style-type: none"> ✓ trade in goods facilitation, ✓ sustainable development of agriculture and fisheries, ✓ economic and development cooperation, ✓ institutional provisions, ✓ dispute avoidance and settlement.
Prospects/ Going Forward	<p>The draft EPA agreement (October 2014) contains a <i>rendezvous</i> clause, (a commitment) to conclude negotiations on trade in services; trade in goods, environment and sustainable development; and other chapters within five years of the entry into force of the agreement.</p> <p>The additional trade-related chapters (deepening of the EPA) to be negotiated include:</p> <ul style="list-style-type: none"> ➤ investment and private sector development, ➤ competition policy, ➤ transparency in public procurement, ➤ intellectual property rights, ➤ digitalization / e-commerce, ➤ general exceptions.

The EU-27 and Kenya—which has already signed and ratified the regional EPA (October 2016)—on the modalities towards the implementation of the EU-EAC EPA

Strategic dialogue (June 2021+)	The launch of the Strategic Dialogue between the EU and the Republic of Kenya;
	The strengthening of the multilateral partnership between the EU and the EAC region;
	Agreed to engage towards implementing bilaterally the trade and the economic and development cooperation provisions of the EPA with the East African Community—the current consolidated text.
Deepening the EPA (February 2022)	Agreed on the future of the EU-Kenya i-EPA that will liberalise trade in goods on mutual basis;
	Agreed to negotiate binding provisions on trade and sustainable development in their i-EPA, which will be subject to an appropriate dispute settlement mechanism;
	The i-EPA will remain open for joining of other six East African Community Partner States.

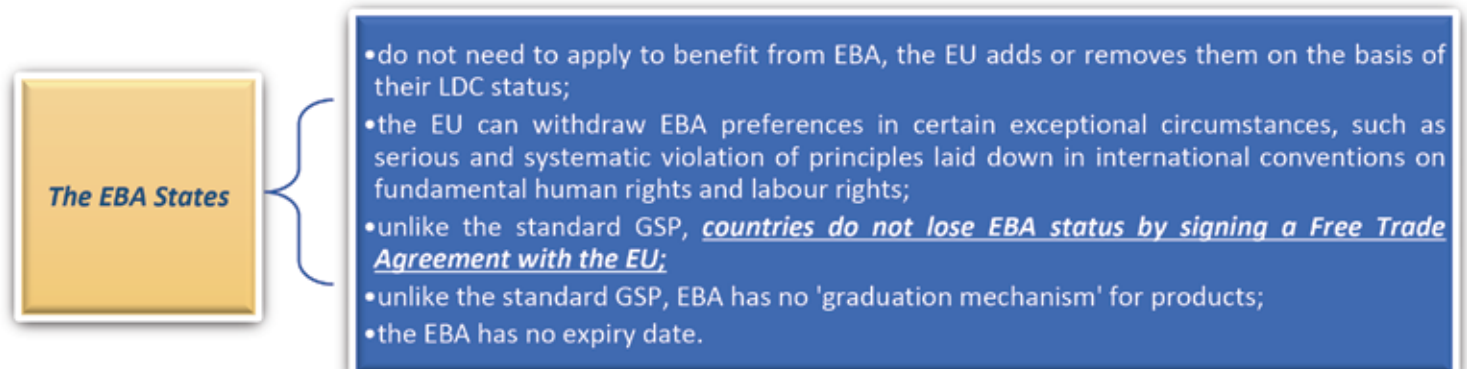
The Trade Relationship between Tanzania and the EU

The EU is a Customs Union - its current 27 member countries form a single territory for customs purposes. Businesses in and outside the EU—in this case specifically Tanzania:



Legislation on the single market for goods aims to ensure that products placed on the EU market meet high health, safety and environmental requirements.

Tanzania—as well as Burundi, DRC, Rwanda, Uganda, South Sudan (the six members of the EAC)—maintains a trade relationship with the EU under the **Everything But Arms (EBA)** scheme. The EBA removes tariffs and quotas for all imports of goods (except arms and ammunition), coming into the EU from the least developed countries (LDCs). The EU grants EBA status to countries listed as a Least Developed Countries (LDC) by the United Nations Committee for Development Policy. As Tanzania sustains a per capita GDP above \$1045 it will graduate from the LDC status, joining Kenya's status.



For the past decade, Tanzania's exports of goods to the EU-27 (through the EBA scheme) have been in the range of Euro 500 million per annum and imported goods of over an average of Euro 800 million per annum. In addition, EU is the main market for fishery products especially the Nile Perch fillets from Lake Victoria—contributing over 80% of fish and fishery products earnings in Tanzania. Kenya has been the only EAC member state with a larger trade volume with the EU-27 both in terms of exports and imports as per Figure 1A and B below.

Kenya has so far been the only EAC member state that maintains a trade relationship with the EU under the Market Access Regulation (MAR) component of the Generalised Scheme of Preferences (GSP). The MAR provides duty-free and quota-free access to the EU market for products originating in the African, Caribbean and Pacific countries which:

- do not benefit from the EU's Everything But Arms (EBA) scheme;
- have concluded, but not yet ratified—in this case a Regional EPA—an EPA with the EU.

ACP countries that are benefitting from the MAR include those in the West African Community (ECOWAS), Kenya (and most likely Tanzania) in the East African Community and Cameroon in the CEMAC. They are referred to here as MAR countries.

Figure 1A & B: Tanzania's and EAC Member States trade volume with the EU-27 (Exports and Imports) in Mn €

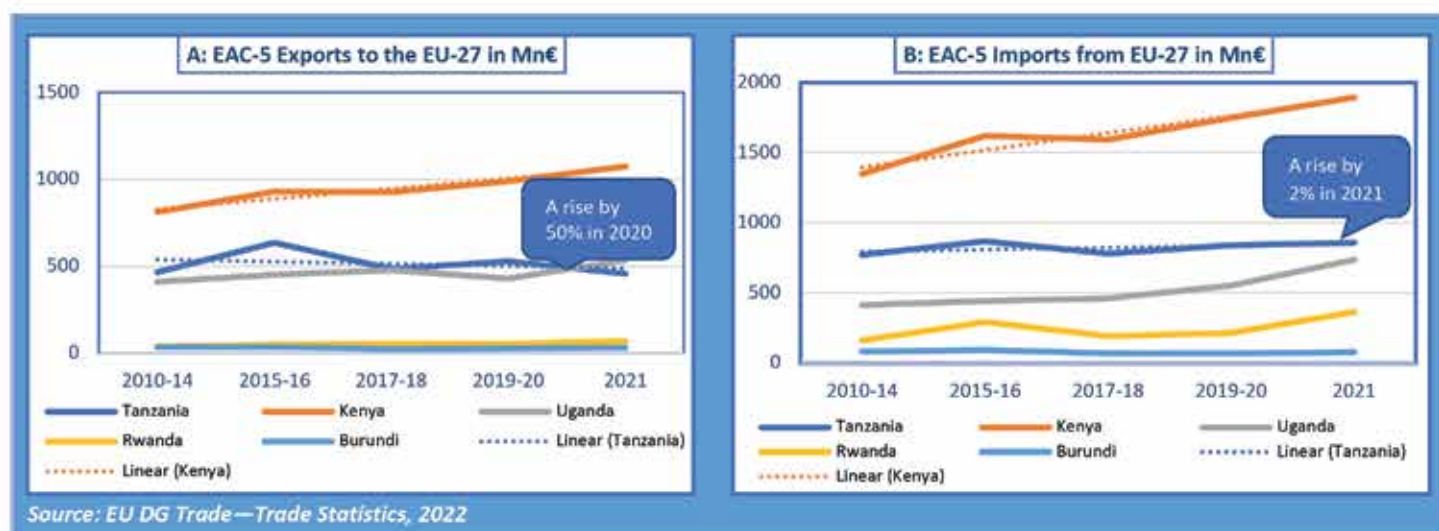
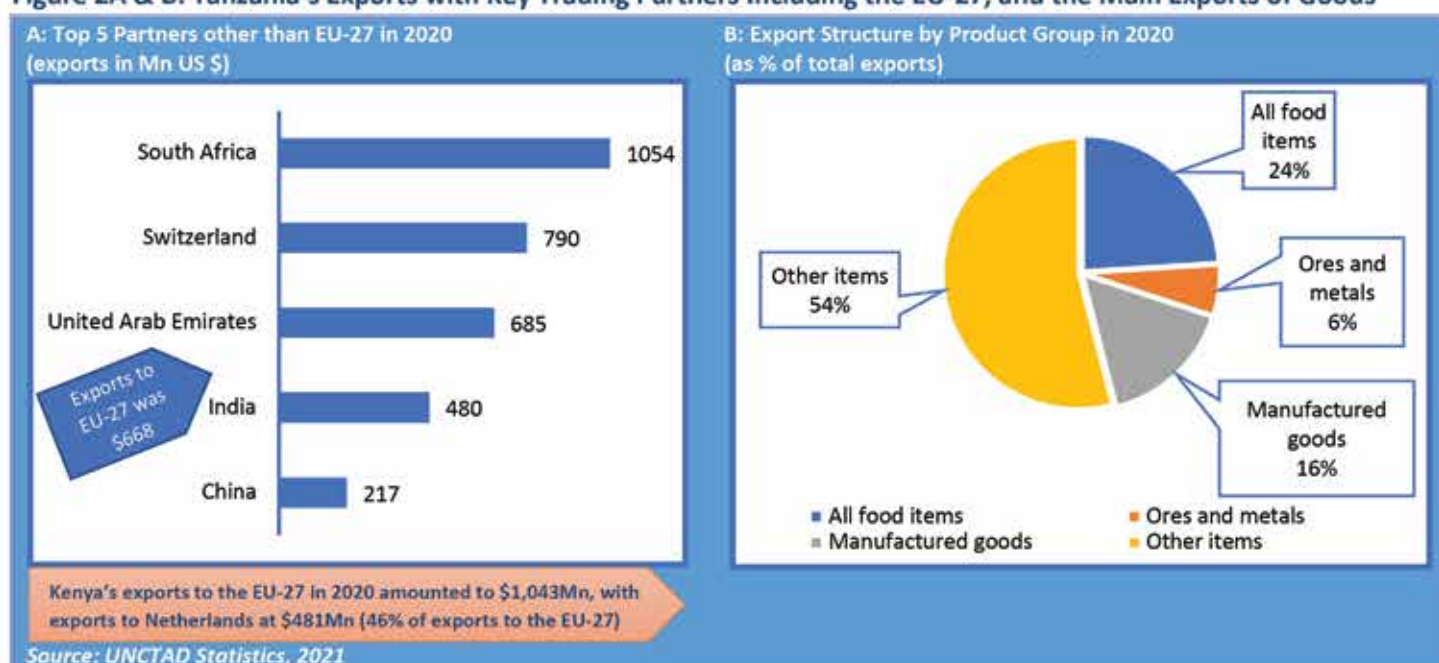


Figure 2A & B: Tanzania's Exports with Key Trading Partners Including the EU-27, and the Main Exports of Goods



Under the MAR, countries benefit from

- duty-free and quota-free access to the EU market for products originating from eligible ACP countries;
- the MAR only covers goods not services.

In the context of the EU-EAC EPA that remains unratified by four of the five EAC Members States that effectively participated in its negotiations—Tanzania, Uganda, Rwanda and Burundi—Kenya has reached an agreement with the EU to move forward with exploring modalities for its implementation and its deepening.

On modalities for the implementation of the EU-EAC EPA, both the EU and Kenya have agreed on two key modalities for implementation and deepening of the EPA.

Agreement on modalities for implementation, June 2021

- launched the Strategic Dialogue between the EU and Kenya on the modalities for implementation of the EU-EAC EPA;
- to strengthen the multilateral partnership between the EU and the EAC region;
- to engage towards implementation, bilaterally, the trade and economic cooperation provisions of the EPA with the East African Community—to that end rebranding it as the 'Interim EPA' (i-EPA).

This move was supported by the February 2021 EAC Summit that allowed EAC Members to implement the regional EPA bilaterally with the EU—referred in the Summit Communique as the principle of ‘variable geometry’. In parallel, both the EU and Kenya, in June 2021, encouraged other Members of the East African Community to sign and ratify the EPA.”

Agreement on deepening the EU-EAC i-EPA, February 2022

- On the future of the EU-Kenya i-EPA that will liberalise trade in goods on mutual basis;
- To negotiate binding provisions on trade and sustainable development in their i-EPA, which will be subject to an appropriate dispute settlement mechanism—reflecting a strong desire by the Parties to discuss and integrate environmental protection and social rights in their trade and investment relations;
- The i-EPA will remain open for joining of other EAC Partner States. This suggests a complete change in the status of the EU-EAC EPA—from an EPA with pending signatures and ratifications to an EPA under full implementation by one of the EAC Member States.

EU Investments Trends for Tanzania—Yet to be negotiated under the EU-EAC EPA

According to UNCTAD’s 2020 World Investment Report, the FDI stock was estimated at USD 21.8 billion in 2019. The mining sector, the oil and gas industry, as well as the primary agricultural products sector (coffee, cashew nuts and tobacco) draw most FDI. The country’s primary investors are EU-28—United Kingdom, Netherlands and Germany—China, India, Kenya, Mauritius, Oman, the United Arab Emirates, Canada, the United States and South Africa.

EU is an important contributor to FDI in Tanzania. The region contributed 112 million Euros to Tanzania FDI inflows in 2018 which was a decrease from 172.4 million Euros contributed in 2015.

EU Investors in Tanzania (2019)

- Netherlands--61 million Euros or 54%;
- UK--16.3 million Euros or 14.5%;
- Germany at 17.7% .

Companies from different EU countries investing in Tanzania were mainly attracted in the following sectors:

- **Mining**—dominant are the Acacia Mining and Shanta Gold;
- **Manufacturing**—France-Swiss based Lafarge-Holcim and Germany-based Heidelberg Cement Group;
- **Oil and gas**—the UK-based Songas, France-based Maurel & Prom, and Netherlands-based BP Shell;
- **Agriculture**—mainly sugar (Kilombero Sugar Company), fertilizer and pesticides (Yara, Syngenta and Bayer Crop Science AG).

The United Kingdom (U.K.) leads among EU countries with 544 companies registered with TIC. Italy is the leading source of investment in Tourism, with many Italian companies focusing on tourism-related ventures, particularly in Zanzibar. Investment from the Netherlands is also significant and is largely concentrated in agriculture and agro-processing. Others are widely distributed at the sectoral level, including in manufacturing, services, and trade, energy, infrastructure, banking, retail and logistics.

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1. EU-EAC EPA Consolidated text, October 2014;
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4. UNCTAD World Investment Report 2020 and Trade Statistics.

This is the second 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



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