

# At a glance: The EU Economic

By Prossy Nandudu

**T**he Economic Partnership Agreements (EPAs) are trade and development agreements negotiated between the European Union (EU) and African, Caribbean and Pacific (ACP) partners engaged in regional economic integration processes.

While negotiations with Uganda, Kenya, Rwanda and Burundi started under the Eastern and Southern Africa (ESA) configuration with Tanzania under SADC, in 2007, the five countries started negotiating as a bloc under the EAC so as not to threaten regional integration.

Under the proposed agreement, the EAC is to enter into a full reciprocal Free Trade Agreement with the EU.

## Countries that have signed

As of September 1, 2016, Kenya and Rwanda individually signed the EPA without the rest of the EAC partner states and subsequently, on September 20, 2016, Kenya ratified and deposited her ratification instruments with the EU.

Uganda has not yet signed, but is ready to if all EAC countries agree to do the same.

Ratification in this case means Kenya took the documents to Parliament for review before depositing them with the European Union. And this is a requirement for all countries that sign the agreement.

Rwanda signed, but has not yet ratified while Burundi has not yet signed because it is under sanction by the EU. Tanzania says it has not signed until it gets a final assessment on the implications of the agreement on their economy.

## At what stage is Uganda?

According to the state minister for the East African Community Affairs (MEACA) Julius Wandera Maganda, Uganda is supposed to sign at a date to be communicated.

President Yoweri Museveni recently joined his counterpart, the Tanzanian President Pombe Magufuli to allow room for consultations on the implications of EPAs to the region, Maganda said.

Some of the fears advanced by Tanzania were that opening up of the region to the EU would reduce the market for goods from the region on the international market.

However, Dr Fred Muhumuza, an economist and lecturer, believes Ugandan manufacturers should get worried of the increasing number of imports from Asian countries instead of worrying about the EPAs because Uganda imports more from Asian than Europe exports to EU markets other than Asia.

Statistics from the Ministry of Finance over the last 17 years indicate that Uganda imported goods worth \$23b from Asia, followed by the COMESA region with goods worth \$9.3b and the EU with goods worth \$8.4b.

In terms of exports, Uganda exported goods worth \$7.1b to European markets, in the same period, to the Middle East, goods worth \$2.4b, Asia goods worth \$1.6b, while COMESA region, goods



President Yoweri Museveni and Tanzania President Dr John Pombe Magufuli in Dar es Salaam at a recent EAC summit

**BURUNDI, KENYA, RWANDA, TANZANIA, AND UGANDA FINALISED THE NEGOTIATIONS FOR REGION-TO-REGION EPA**



Minister Maganda

worth \$11.2b.

"I do not see EU markets threatening our manufacturing at all, instead they will encourage the local manufacturer to scale up so they too can produce goods to the standard of the EU so they can compete for the same market," Muhumuza says.

Despite the fact that 70% of manufacturing in Uganda is mainly agricultural, installed manufacturing capacities are idle and inconsistent, that is why Ugandans are not even relying on agriculture.

"Therefore, what will affect agriculture will come from

somewhere else not in the agreements we should first address the idle capacities, in manufacturing and inconsistencies, quality among others," Muhumuza added.

## EPA highlights

On October 16 2014, the Eastern African Community (Burundi, Kenya, Rwanda, Tanzania, and Uganda) finalised the negotiations for a region-to-region comprehensive Economic

Partnership Agreement (EPA) with the EU. The agreement covers trade in goods and development cooperation. It also contains an extensive chapter on fisheries – aiming mainly to reinforce cooperation on the sustainable use of resources - and foresees further negotiations on services and trade-related rules in the future.

The deal is balanced and fully in line with the EAC Common External Tariff. It supports the EAC's ambitious regional integration project and has what it takes to foster development. The agreements should have been signed and scheduled for ratification by October 2016.

## Main features of the agreement

**1** Immediate duty-free quota-free access to the EU market for all EAC exports;

**2** Partial and gradual ("asymmetric") opening of the EAC market to imports from the EU, taking full account of the differences in levels of development between the EAC and the EU;

**3** Ban on unjustified or discriminatory restrictions on imports and exports, which contributes to the EAC's efforts to

eradicate non-tariff barriers (NTBs) in intra-EAC trade;

**4** Trade defence provisions including safeguards allowing each side to reintroduce duties if imports from the other side disturb or threaten to disturb its economy, as well as special safeguard conditions to protect EAC infant industry;

**5** Rules of Origin, defining which products are eligible for trade preferences under the EPA, fully take into account EAC specificities and the needs of its sectors and industries;

**6** Customs-related provisions aiming to facilitate trade between EAC countries and the EU, to promote better customs legislation and procedures, and to provide support to the EAC's customs administrations;

**7** A chapter on sanitary and phytosanitary measures that should allow, inter alia, to address plant health-related trade problems, promote intra-regional harmonisation with international standards in this area and enhance EAC capacity to implement and monitor this type of measures;



# Partnership Agreement with EA



Coffee is one of Uganda's biggest exports to foreign markets

8 A chapter on agriculture geared towards sustainable agricultural development, including food security, rural development and poverty reduction in the EAC.

It guarantees that the EU will not apply exports subsidies, even in times of market crisis, and commits the Parties to a deepened policy dialogue on agriculture and food security, including transparency as regards their respective domestic policies;

9 Rules for dispute settlement;

10 Provisions reinforcing cooperation on the sustainable use of resources in the area of fisheries (such as resource assessment and management; monitoring of environmental, economic and social impacts; conformity with existing national laws and relevant international instruments; effective control and surveillance for combating illegal, unreported and unregulated fishing);

11 A chapter on economic and development cooperation aimed at enhancing the competitiveness of the EAC economies, building supply capacity and assisting the EAC members in implementing the EPA smoothly;

12 A clause linking the EPA to the Cotonou Agreement and its essential elements such as human rights, democracy and the rule of law;

13 Clauses foreseeing further talks on trade in services and trade-related rules addressing sustainable development, competition policy, investment and private sector development, intellectual property rights, transparency in public procurement – to be concluded

**Workers in a textile factory. Economic Partnership Agreements will provide market to products made in Uganda**



within five years following the entry into force of the EPA

14 The EPA also has a fully-fledged institutional chapter with ministerial, senior-official and civil-society bodies to steer and oversee EPA implementation.

#### **EPA on custom duty**

The EAC has committed to liberalise the equivalent of 82.6% of imports from the EU by value. Under the EAC Customs Union, more than half of these imports are already imported duty free, not only from the EU but from the entire world.

The remainder will be progressively liberalised within 15 years from the moment the EPA enters into force. About 2.9% of it will be liberalised only within 25 years.

The EAC decided to exclude from liberalisation various agricultural products, wines and

## **UGANDA EXPORTED GOODS WORTH \$7.1B TO EUROPEAN MARKETS**

spirits, chemicals, plastics, wood based paper, textiles and clothing, footwear, ceramic products, glassware, articles of base metal and vehicles.

The liberalisation on EAC imports resulting from the EPA will therefore be entirely manageable and spread over a long period of time. There is no risk either of EAC markets being "flooded" by EU products or of any significant budget revenue shocks.

The EU already provided duty-free

quota-free access to EAC products between January 1, 2008 and September 30 2014. Since October 1, 2014, the four EAC countries having Least Developed Country status continue to benefit from duty-free quota-free access to EU market under Everything But Arms (EBA) scheme.

From the moment of application on, all EAC countries will benefit from the same access regime under the EPA, i.e. free access with improved rules of origin.

#### **How does this agreement relate to other existing preferential schemes?**

Four EAC partner states, as Least-Developed Countries, could benefit solely from the unilateral Everything-But-Arms regime under which the EU offers full access to its market. However, they are now opting for a bi-regional trade partnership with the EU.

- ### ABOUT EAC
- The EAC established a Customs Union in 2005 which was fully-fledged with zero internal tariffs as from 2010.
  - The EAC, in fast tracking its economic integration process, ratified a more far-reaching common market protocol in July 2010.
  - In November 2013, EAC Members signed a protocol on a monetary union. The integration agenda of the EAC is strongly political in nature as its ultimate goal is to become a federation.

This is because the EPA provides a predictable and uniform trade scheme for all EAC Members that fully respects their established customs union and preserves the duty-free quota-free market access of the EAC Least Developing Countries regardless of their income status (Least Developing Countries/ Non Least Developing Countries), which they wish to substantially improve in the near future.

#### **When will the agreement come into force?**

The texts agreed by the chief negotiators have been initialled and checked by EU and EAC lawyers. This "legal scrubbing" process was completed on September 11, 2015. The clean text was sent to translation in order to pave the way to the signature and ratification of the EPA. The agreement will enter into force once ratification is completed.