

# REPOA Brief



## The EU-EAC Economic Partnership Agreement (EPA) Economic and Development Cooperation, and Targeted Benefits

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
EAC-EU EPA	<b>The European Union and its 27 Member States (Post Brexit)</b> 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"> <li>➤ To foster the structural transformation of EAC economies, and their diversification and competitiveness by enhancing their production, supply and trading capacities.</li> <li>➤ To sustainably integrate the EAC economies into the global economy and the inherent regional value chains (RVCs) and global value chains (GVCs).</li> <li>➤ <b>To strengthen the existing relations between the Parties on the basis of solidarity and mutual interest—shall enhance commercial and economic relations, support a new trading dynamic between the Parties, and reinforce, broaden and deepen cooperation in all areas relevant to trade and investment—fostering economic and social inclusion.</b></li> </ul>
Coverage	The consolidated text of the EU-EAC EPA provides: <ul style="list-style-type: none"> <li>✓ trade in goods facilitation,</li> <li>✓ sustainable development of agriculture and fisheries,</li> <li>✓ economic and development cooperation,</li> <li>✓ institutional provisions,</li> <li>✓ dispute avoidance and settlement.</li> </ul>
Prospects/ Going Forward	<p>Article 134 in Chapter VI of the EPA agreement (Oct. 2014) outlines a <i>rendezvous</i> clause, (a commitment) to conclude negotiations on <b>trade in services; trade related issues including, environment and sustainable development; investment and private sector development; public procurement and other chapters</b> 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"> <li>➤ investment and private sector development,</li> <li>➤ competition policy,</li> <li>➤ transparency in public procurement,</li> <li>➤ intellectual property rights,</li> <li>➤ digitalization / e-commerce,</li> <li>➤ general exceptions.</li> </ul>

The EU-27 and Kenya—which has already signed and ratified the EU-EAC EPA (October 2016)—on the modalities towards the implementation of the EU-EAC EPA (the interim EPA—i-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;
Deepening the EPA (February 2022)	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.
	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 <b>trade and sustainable development</b> 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 EU-EAC EPA (the Consolidated Draft Agreement) is based on the following principles:



The economic and development cooperation under the EU-EAC EPA shall aim at:



### Areas of Cooperation



It is envisaged that the structured elimination of tariffs on imports originating from the EU will bear some welfare effects with respect to the postulated increase in consumers' surplus due to the reduced import product prices and welfare gains due to trade creation. The underlying estimates show that the EPA with the EU would generate US\$6.4 million in consumers' surplus and US\$1.7 million welfare gains from trade creation effect. The annual total welfare gains of US\$8.1 million is equivalent to 0.01% of Tanzania's 2018 GDP. Products that are likely to bear the largest welfare gains are medicaments, oil seeds, rubber and sugar. Insights from a Stakeholders Survey in Tanzania also show that the main potential positive impacts of the EPA include expansion of market opportunities, access to production inputs of higher quality including raw materials, machinery and technology, and higher earnings from more competitive prices for agricultural commodities.

### 1. Transport

- Management of transport systems;
- Improvement, development and modernisation of infrastructure at all levels;
- Strengthening of the institutional, technical and administrative capacities of the EAC Partner States in standards, quality assurance, metrology and conformity assessment services;
- Technology development and transfer, innovation, information exchange and networks, and marketing;
- Encouragement of partnerships, linkages and joint ventures between economic operators;
- Improvement of safety and reliability of the transport sector;
- Development of regional transport policies and the regulatory framework.

### 2. Energy

- Production, transmission and distribution capacity of existing energy sources;
- Diversification of energy mix to include other sources of energy that are socially and environmentally acceptable;
- Development of energy infrastructure, including for rural areas;
- Development of appropriate energy regulatory and policy reforms;
- Encouragement of partnerships, linkages and joint ventures between economic operators;
- Regional and inter regional connectivity and cooperation in the production and distribution of energy;
- Capacity building in human resources, technology development and transfer, Research and Development, innovation, partnerships, linkages and joint ventures.

### 3. Information and Communication Technologies (ICT)

- ICT connectivity and cost effectiveness at the national, regional and global levels;
- Dissemination of new information and communication technologies;
- Development of legal and regulatory frameworks on ICT;
- Technology development, transfer and applications, R&D, innovation, information exchange and networks and marketing;
- Capacity building in human resources, improvement in service standards, and institutional structures;
- Partnerships, linkages and joint ventures between economic operators;
- Promotion and support for the development of niche markets for ICT-enabled services.

### 4. Private Sector Development

- Create a conducive environment for promotion of investment and private enterprises;
- Enhance supply capacities, competitiveness and value addition;
- Improve access to investment finance from EU financing institutions e.g. the European Investment Bank;
- Build capacity & provide institutional support for private sector development institutions;
- Develop / strengthen private sector related policies, legal and regulatory frameworks;
- Create and strengthen partnerships, joint ventures, subcontracting, outsourcing and linkages.

The estimates show that the EU-EAC EPA will affect GDPs negatively for most of the EAC Partner States. Tanzania's GDP is expected to decrease by 0.5% under the full liberalization assumption, mainly due to decreases in private and Government consumption. Households' income will decrease albeit slightly. Interestingly, the EPA appears to lead to relatively significant increase in investment (0.14%) and exports. The largest export growth will be in heavy manufacturing, export of mineral products (precious minerals), as well as leather products; and the biggest decline in exports may be in textiles, depicting significant increase in cheaper textile products from the EU. Some sectors will experience production expansion (hence growth in exports)—including heavy manufacturing, construction, mining and extraction, as well as transport and logistics activities compared to textiles and food processing in which production may decline.

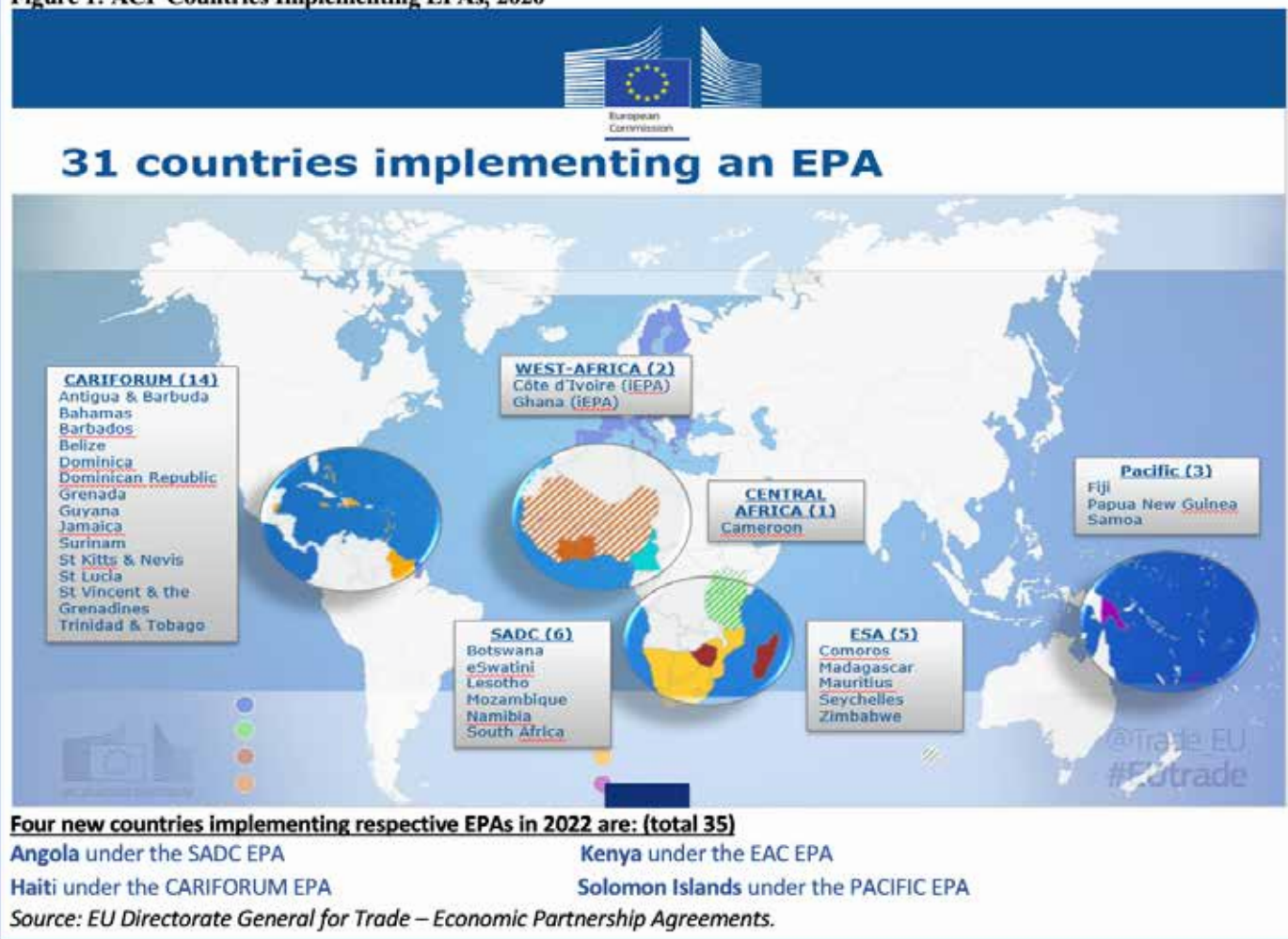
## 5. Water and Environment

- Enhance linkages between trade and environment;
- Support the implementation of international environment agreements, conventions and treaties;
- Ensure the balance between environmental management and poverty reduction;
- Protect the environment and enhance biodiversity conservation and genetic preservation;
- Promote equitable and sustainable utilisation of natural resources;
- Promote public and private sector involvement in natural resource management.

## 6. Special and Differential Treatment & Technical Assistance

- Build technical capacity in the public and private sector of the EAC Partner States to enable sanitary and phytosanitary controls;
- Enhance technical capacity for the implementation & monitoring of SPS measures;
- Develop capacities for risk analysis, harmonization, compliance, testing, certification, traceability and accreditation;
- Support the participation of EAC Partner States in the work of the relevant international standards setting bodies;
- Develop EAC Partner States' capacity for effective participation in the notification processes.

Figure 1: ACP Countries Implementing EPAs, 2020



The survey and analytical work undertaken by the REPOA team concludes that the EU-EAC EPA has the potential to secure Tanzania's entry into the middle-income status, and support the FYDP-III as long as there is positive interpretation regarding (the nature of) its impact and that Government implements key interventions. This is important since all the EAC Partner States envision expansion of their economic and trade capacities, and enhanced economic and social inclusion.

### 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;
3. EU DG Trade—Statistics, 2022;
4. UNCTAD Trade Statistics, 2022.

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This is the fifth of a five-part series of policy briefs presenting findings of a research study on the "Implications of EU-EAC EPA on Tanzania". The study is part of the 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 sole responsibility of REPOA.