

## The EAC-EU EPA: Tanzania is raising pertinent issues.

The 18<sup>th</sup> Summit of the EAC Heads of State is due to take place on 6<sup>th</sup> April 2017 in Arusha, Tanzania to consider, inter alia, whether the EAC should sign and ratify the EPA as a bloc, per the EU-EAC Agreement concluded on 16<sup>th</sup> October 2014. Since then, the EAC Partner States have been under inordinate pressure to sign and ratify the EPA. While Uganda and Burundi are yet to sign, Rwanda and Kenya have individually signed, with Kenya ratifying and depositing her ratification instruments with the European Union on 20<sup>th</sup> September 2016. The major reason for Kenya to sign and ratify the EPA was to avoid being removed from the list of beneficiary countries for duty-free and quota-free imports into the EU. This would have predominantly affected her flower exports to the EU. According to the Kenya Flower Council, Kenya was to lose up to KShs 600 million per month had it not signed and ratified the EPA by 1<sup>st</sup> October 2016.<sup>1</sup>

Tanzania is reluctant to sign and ratify the EPA raising a number of issues including the implications of the EPA on EAC's development in general and Industrialisation in particular. Tanzania has requested for, inter alia, a comprehensive analysis of the EPA and its full implications, and possible alternatives in case some Partner States do not sign the EPA. The results of the analysis will inform the Summit on whether or not to sign and ratify, and whether to consider other alternatives. The issues raised by Tanzania are legitimate and are not peculiar to Tanzania alone as they are relevant to all the EAC Partner States as well as other African countries.

Regarding the issue of alternatives, the Cotonou Agreement 2000 Article 37(6) provided that *"In 2004, the community will assess the situation of the non LDC which, after consultations with the community decides that they are not in a position to enter into EPAs and will examine alternative possibilities, in order to provide these countries with a new framework for trade which is equivalent to their existing situation and in conformity with WTO rules"*. It is most unfortunate that this option was not pursued in the negotiations and needs to be resurrected.

It will be recalled that at the beginning of the negotiations, a study on the *Impact and Sustainability of EPA for the economy of Uganda (2004)*, was undertaken by the Uganda Government and funded by the EU. This study highlighted some of the risks of the EPA that Tanzania is raising now. In particular, the study highlighted the fact that locally protected industries will face competition from imported duty free products from the EU resulting into loss of employment and de-industrialization. The purpose of highlighting these risks at that stage was that the outcome of the EPA would include mitigation measures. This has not been adequately catered for in the agreement. Therefore, the argument being advanced that by Tanzania raising these pertinent issues is dividing up the bloc is false and diversionary.

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<sup>1</sup> <http://www.nation.co.ke/news/Kenyan-exporters-to-lose-Sh3-6bn-over-delay-in-EU-deal/1056-2488190-rnc76gz/index.html>

There is an ongoing narrative which advances a false perception that signing and ratifying the EPA will unlock the tap of the flow of resources and substantially increase EAC's

Market Access to the EU. Article 75.4 of the EAC-EU EPA states that any development cooperation or support to the EPA Development Matrix will be delivered and implemented through EU existing mechanisms, in particular the European Development Fund (EDF) and within the framework of the successive relevant instruments financed by the General Budget of the EU. Therefore, it is apparent that there is no commitment for additional resources in the EAC-EU EPA.

Regarding Market Access, it is instructive to look at our past relationship with the EU under Lomé and Cotonou Agreements. The EAC has been enjoying Duty Free Quota Free (DFQF) Market Access since 1975 which was accompanied by other supportive arrangements including STABEX and Sysmin. The objectives of these instruments were to help EAC to stabilise both agricultural and mineral export earnings. Despite the Duty Free Quota Free (DFQF) Market Access and these measures, EAC's share of exports to the EU has been steadily declining and they remain largely raw materials. This has been as a result of long standing market entry barriers in the EU i.e. Sanitary and Phyto-Sanitary measures, Rules of Origin, Technical Barriers to Trade and subsidies; and because of the supply side constraints within the EAC countries. Therefore, a trade agreement like the EPA whose major thrust is to create a Free Trade Area between a developed Europe region and a poor EAC region; and which does not adequately address these challenges, can only exacerbate the imbalances between these two regions.

The EPA presents a litmus test for the EAC Partner States i.e. whether their priority is to promote regional integration or whether this should be subordinated to integration with the EU. Internal integration should take precedence over external integration given that the EAC market is of paramount importance for all Partner States. It constitutes the largest market for the EAC Partner States and also offers better prospects for industrialization and development of regional value chains. It is critical that the EAC prioritises her internal cooperation, as this will enable her to development, become credible and be able to promote and protect her interests during negotiations with third parties.

It is our expectation that the Summit will focus on addressing the substantive issues raised by Tanzania and other stakeholders, rather than focusing on how Tanzania can be persuaded to sign and ratify the EPA.