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Update: Interim Economic Partnership Agreements

The EU and the African, Caribbean and Pacific countries (ACP) have been working to put in place new Economic Partnership Agreements by the end of 2007. Such agreements aim at progressively removing barriers to trade and enhancing cooperation in all areas related to trade. They are also aimed at providing an open, transparent and predictable framework for goods and services to circulate freely, thus increasing competitiveness of the ACP.

Why is it important to put these agreements in place?

The EU and ACP are jointly working against the deadline of 1st January 2008, by which time they have promised non-ACP developing countries that they will have put in place a new system compatible with WTO rules. On 1 January 2008 the legal waiver non-ACP developing countries have extended to cover the existing trade arrangements between the ACP and the EU will expire. The European Commission has now initialled interim Economic Partnership Agreements with SADC, East and Southern Africa and key trading partners in the Pacific. These interim agreements cover market access and other areas including development cooperation.

- In all cases the EU has offered to remove all remaining tariffs and quotas for all exports from the ACP. This will apply from 1 January 2008, with a short transition period for sugar and rice.
- Liberalisation in ACP countries is gradual, taking place over many years. Where trade is liberalised at once or in the short term, tariffs for the products in question are in many cases already set at 0%. For example in the EAC countries, 64% of trade already enters at 0% tariff, and this is the focus of early liberalisation.
- The EU and the ACP have sought the greatest possible flexibility to exclude sensitive products from liberalisation – most ACP countries have opted not to liberalise most agricultural goods and many other important local products.
- The EU and the ACP have prioritised the need to provide shelter for growing industry from external competition. Sensitive industrial sectors have been excluded and an 'infant industry clause' has been agreed that will allow ACP countries to reinstate tariffs in future if they wish to protect a growing industry.

The whole process will be backed up by a considerable package of development assistance. The ACP countries will receive €23billion in development assistance over the next seven years. African, Caribbean and Pacific countries will also be major beneficiaries of the decision to increase Europe's spending on aid for trade to €2billion a year, with a priority given to measures that help implement Economic Partnership Agreements. The money will be available to help countries prepare new structural reforms and trade policies, adjust to the changes they bring and enhance infrastructure and competitiveness to seize trade opportunities.

What is the logic of 'two step' Economic Partnership Agreements?

Rather than refuse to sign an agreement until every part of a negotiation is complete, the EU and the ACP have agreed that so long as they can reach agreement on the question of trade in goods, we believe we will be on solid ground in the WTO. This means that the EU will be in a legal position to further extend preferential access to the EU market. We will then complete discussions early in 2008. Only a comprehensive agreement will deliver the full development potential. But reaching an interim agreement on trade in goods will prevent a disruption to ACP trade with Europe.

Southern African Development Community

On November 23 in Brussels senior negotiators from the European Commission and the Southern African Development Community initialled an interim Economic Partnership Agreement including a WTO-compatible market access schedule and provisions on development co-operation and other issues. This agreement will apply initially to the EU side and to Botswana, Lesotho, Swaziland and Mozambique on the SADC side. Angola made clear its wish to join as soon as possible. South Africa will determine its participation in the agreement in the coming weeks. This agreement was initialled by Namibia on December 11. EU and SADC negotiators confirmed that the agreement was open to other parties in the region to join when they wished. Both sides agreed to continue negotiations towards a full EPA in 2008 and a rendezvous clause is included in the agreement to this effect.

Goods Covered

The agreement allows for 100% liberalisation by value by the EU as of 1 January 2008 (with transition periods for rice and sugar) and 86% liberalisation by value by Botswana, Lesotho, Namibia and Swaziland. For 44 sensitive tariff lines liberalisation is envisaged by 2015. Three further lines will not be liberalised until 2018. The tariff offer from Mozambique covers 80.5% of trade, most of which is liberalised at entry into force. Some 100 additional tariff lines will be liberalised by 2018.

Goods Excluded

Exclusions focus on agricultural goods and some processed agricultural goods and are based chiefly on the need to protect infant industries or sensitive products in these countries.

Other features

A Development Cooperation Chapter has been included which covers cooperation on trade in goods, supply-side competitiveness, business enhancing infrastructure, trade in services, trade-related issues, Institutional capacity building, and fiscal adjustments. Parties agreed to negotiate on Competition and Government procurement only when adequate capacity has been built.

East Africa: East African Community (EAC)

On November 23 in Uganda the European Commission and the East African Community initialled an interim EPA agreement. This agreement will apply to the EU and to Kenya, Uganda, Tanzania, Rwanda and Burundi. Negotiators agreed that the first phase of negotiations for an EPA had been successfully completed and that they would continue negotiations towards a full EPA in 2008 and a rendezvous clause is included in the agreement to this effect.

Goods Covered

The agreement allows for 100% liberalisation by value by the EU as of 1 January 2008 (with transition periods for rice and sugar) and 82% liberalisation by value by the East African Community (64% in two years, 80% in 15 years, the remainder in 25 years). It covers 100% of EU tariff lines and 74% of EAC tariff lines.

Goods Excluded

Exclusions include: agricultural products, wines and spirits, chemicals, plastics, wood based paper, textiles and clothing, footwear, glassware. The main criterion of these exclusions is the desire to protect infant industry.

Other features

The agreement contains an extensive fisheries chapter, mainly aiming at reinforcing cooperation on sustainable use of resources.

East Africa: Eastern and Southern Africa (ESA)

The European Commission initialled an interim trade agreement with the Seychelles and Zimbabwe of the ESA region in Brussels on 28 November 2007, with Mauritius on 4 December 2007 and with Comoros and Madagascar on 11 December 2007. The deal includes a WTO-compatible market access schedule, provisions on development cooperation, fisheries and other issues. Negotiators confirmed that the agreement is open to other parties in the region, who are expected to join in the near future. The agreement is a framework towards the completion of a comprehensive Economic Partnership Agreement by the end of December 2008.

Goods Covered

The agreement allows for 100% liberalisation by value by the EU as of 1 January 2008, with transition periods for rice and sugar. The Seychelles will liberalise 97,5% of its imports from the EU by 2022: 62% of their imports will be liberalised after five years, 77% by 2017 and the remaining 20,5% by 2022. Zimbabwe will liberalise 80% of their imports from the EU by 2022: 45% by 2012 with the remaining 35% of their imports being liberalised progressively until 2022. Mauritius, on its part, will liberalise 95.6% of its imports from the EU: 24.5 % in 2008, 53.6% by 2017, and the remaining 42% will be liberalised in 2022. Coverage for Comoros and Madagascar is over 80% of their imports from the EU. In the case of Comoros, 21,5% of their imports will be liberalised after five years, and the remaining 59,1% will be progressively liberalised by 2022. In the case of Madagascar, 37% of their imports from the EU will be liberalised after five years, the remaining 43,7% will be progressively liberalised y 2022.

Goods Excluded

Several products from different sectors have been excluded from liberalisation, mainly due to the need to protect sensitive products or infant industries in the countries. In the case of Seychelles, these include meat, fisheries, beverages, tobacco, leather articles, glass and ceramics and vehicles. In the case of Zimbabwe, excluded products include products of animal origin, cereals, beverages paper, plastics and rubber, textiles and clothing, footwear, glass and ceramics, consumer electronics and vehicles. Mauritius excluded from liberalisation live animals and meat, edible products of animal origin, fats, edible preparations and beverages, chemicals, plastics and rubber articles of leather and fur skins, iron & steel and consumer electronic. In the case of Comoros, the excluded goods are mainly of animal origin, fish, beverages, chemicals and vehicles. For Madagascar, the excluded products comprise meat, fish, products of animal origin, vegetables, cereals, beverages, plastics and rubber, articles of leather and fur-skins, paper and metals among others.

Other features

The Parties will cooperate to facilitate the implementation of the Agreement and support regional integration and development strategies. They agreed that cooperation will be based on the ESA Development Cooperation Strategy and a jointly agreed Development Matrix. They will cooperate to mobilise resources additional to the financial framework of the EU, from EU Member States and other donors, in particular expanding Aid for Trade commitments, relating specifically to EPA support requirements and adjustment costs.

The agreement contains an extensive fisheries chapter, mainly aiming at reinforcing cooperation on sustainable use of resources.

Papua New Guinea and Fiji

On November 29 the European Commission initialled an Interim Partnership Agreement with the two main economies and exporters in the Pacific region, Papua New Guinea and Fiji. The agreement enables both countries to benefit from significantly improved market access to the EU as from 1 January 2008. This will be an immediate boost for investment and growth in Papua New Guinea and Fiji due to new trade opportunities in sectors of interest to these countries, in particular fishery products. This Interim Agreement is open to any other interested Pacific State. All sides reaffirmed their commitment to the ongoing negotiations on a comprehensive Economic Partnership Agreement containing arrangements for trade in goods and services, development co-operation, fisheries, trade related rules and other aspects with the whole Pacific Region. This comprehensive EPA is foreseen to be concluded by the end of 2008.

Goods Covered

The Interim Partnership Agreement allows for 100% liberalisation by value by the EU as of 1 January 2008, with transition periods for rice and sugar. It allows for 88% liberalisation by Papua New Guinea by value and 80 % liberalisation by Fiji over a time period of 15 years. It covers 100% of EU tariff lines and 82% of Papua New Guinean and 80% of Fijian tariff lines.

Goods Excluded

Certain agricultural and forestry products as well as non agricultural processed goods are excluded from liberalisation by both Papua New Guinea and Fiji. The main criterion of these exclusions is the desire to protect infant industry and maintain fiscal revenues.

Other features

In the agreement the European Commission offers new and improved rules of origin, in particular for fishery products and textiles. It is expected that these will help new investment and employment opportunities in Fiji and Papua New Guinea.

West Africa: Ivory Coast and Ghana

On December 7 the European Commission initialled a stepping stone Economic Partnership Agreement with Ivory Coast and on 13 December with Ghana. The agreement enables Ivory Coast and Ghana to benefit from significantly improved market access to the EU as from 1 January 2008. This will be an immediate boost for investment and growth in these countries. Negotiations on a similar stepping stone EPA are ongoing with other West African countries. In any event, negotiations on a full EPA covering all West African countries and covering also trade in services, in vestment and trade related rules, will continue in 2008.

Goods Covered

The stepping stone EPA allows for 100% liberalisation by value by the EU as of 1 January 2008, with transition periods for rice and sugar. It allows for 80.8% liberalisation by Ivory Coast

over a time period of 15 years. It covers 100% of EU tariff lines and 88.7% of Ivory Coast tariff lines. In respect to Ghana, it allows liberalisation of 80.48% of the EC imports in value and 80.01% in tariff lines over 15 years 80.8%.

Goods Excluded

Certain agricultural as well as non agricultural processed goods are excluded from liberalisation by Ivory Coast and Ghana. The main criterion of these exclusions is the desire to protect certain existing industries or infant industry and maintain fiscal revenues.

Other features

Both Agreements contains a title on Development Cooperation covering priority areas of development cooperation for accompanying the implementation of this Agreement. The main areas identified are the reinforcement and upgrading of productive sectors, the cooperation in respect to fiscal adjustment, to foster the improvement of business climate, and the implementation of trade rules contained in the Agreement. The parties agree to cooperate in these areas notably in the context of the Cotonou Agreement.

The agreement also contains a detailed dispute settlement mechanism.

New and improved rules of origin will be annexed to this Agreement in the short future. It is expected that these will help new investment and employment opportunities in Ivory Coast and Ghana.

