Fact sheet on the interim Economic Partnership Agreements*

THE PACIFIC: FIJI AND PAPUA NEW GUINEA

January 2009

1. State of Play

The two major Pacific ACP countries currently exporting goods to the EU - Papua New Guinea (PNG) and Fiji - agreed an interim EPA with the EU in November 2007. The interim EPA was negotiated with PNG and Fiji to avoid any disruption of trade between them and the EU following the expiry of the trade provisions set out in the Cotonou Agreement on 31st December 2007. The interim EPA was the only way for PNG and Fiji to maintain and improve preferences for their main exports and benefit from improved Rules of Origin for key products like canned tuna.

The Pacific ACP (PACP) group is made up of small and extremely small island economies with generally tiny landmasses (with the exception of PNG) but vast Exclusive Economic Zones (EEZ) in the surrounding ocean.

Trade between the Pacific and the EU is very limited and erratic and therefore none of the PACP except Fiji and PNG decided to conclude an interim EPA. The Least Developed Countries (LDCs) of Kiribati, Samoa, Salomon Islands, Tuvalu and Vanuatu all benefit from the Everything But the Arms (EBA) initiative which offers duty free quota free access to the EU. The non-LDCs who did not join the interim EPA (Cook Islands, Tonga, Marshall Islands, Micronesia, Niue, Palau and Nauru) benefit from the EU's regular Generalised System of Preferences since 1 January 2008.

The PACP share of EU trade is just 0.06 %. Their most important export products to the EU are palm oil, copper, sugar, coconut (copra) and fish.

2. Main features of the interim EPA

The **Interim EPA** covers all major provisions of a **trade in goods** agreement:

- **Duty free quota free access** into the EU for all imports from PNG and Fiji, with transition periods for rice and sugar;
- An **asymmetric** and **gradual** opening of their markets to EU goods, taking full account of the differences in levels of development between them and the EU (see below);
- A chapter on **trade defence** with safeguards allowing each party to reintroduce duties or quotas if imports of the other party disturb or threaten to disturb their economy;

* *This fact sheet describes the content of the interim Economic Partnership Agreements. Its does not in any way replace or interpret the provisions of these agreements.*

- A chapter on **Technical Barriers to Trade** as well as **Sanitary and Phyto-sanitary** (SPS) measures, to help Pacific exporters meet EU import standards; and
- A chapter aiming to **facilitating trade** through measures such as more efficient customs procedures and better cooperation between administrations.

The interim EPA contains a clause on the **ongoing EPA negotiations**. The parties confirm their commitment to these negotiations and to the objective of concluding a full EPA containing all relevant components with all Pacific ACP countries (PACP). The interim EPA also emphasises the need for cooperating closely at the national level to maximise the synergy between development cooperation and the agreement's objectives.

It also contains provisions regarding the relationship between it and the Cotonou Agreement and World Trade Organisation (WTO) as well as a dispute settlement mechanism, institutional provisions, and general and final provisions.

The respective liberalisation commitments of the parties as well as the applicable Rules of Origin are set out in annexes. There is also an annex on mutual administrative assistance in customs matters.

The existence of the interim EPA with only two PACP countries is temporary while negotiations to replace it with a full regional EPA are ongoing.

Trade in goods

All imports from PNG and Fiji have enjoyed duty free quota free access to the EU since 1st January 2008 (subject to transition periods until 2010 for rice and 2015 for sugar).

PNG will liberalise 88% of EU imports from on the date of application of the agreement and excluded products from the most sensitive economic sectors (e.g. meat, fish, vegetables, furniture) and luxury products (jewellery).

Fiji will liberalise 87% of EU imports over 15 years, 14 % on the date of application, another 2.5% by the end of year five, 60 % by the end of year ten and a final 11 % of value by the end of year fifteen. Fiji excluded products from the most sensitive economic sectors and those important for revenue purposes such as meat, fish, fruits and vegetables, alcohol, tubes and iron.

3. State of play of full EPA negotiations

All 14 PACP are negotiating as a region a **full EPA**.

The full EPA is expected to cover the same areas as the interim EPA plus development cooperation provisions, a fisheries chapter, social and environmental issues and competition.

The question of including services and trade related areas like Intellectual Property Rights and Government Procurement remains open and requires further discussions. Despite services being one of the Pacific's explicit offensive interests earlier on in the negotiations, the issue is now whether or not the EPA will go beyond a rendezvous clause in that area.

Following the technical round in September 2008 the situation is as follows:

- The PACP propose a rendezvous clause for services, plus a non discrimination (MFN) provision and a confirmation by PACP WTO members of their multilateral commitments. The EU is in favour of a more flexible approach where PACP countries ready and willing to take services commitments could do so already at this stage.

- Regarding trade in goods, there is no official indication that any PACP country other than PNG and Fiji would table market access offers. The most important outstanding issues for PACP remain the infant industry clause and export duties.

- Improved Rules of Origin for fisheries products are crucial for the Pacific. The PACP claim that further relaxation of the rules could convince other PACP countries, especially the small ones, to be part of the agreement on trade in goods. Concrete provisions are under discussion.

Negotiations on the mutually agreed areas are continuing, and negotiators will explore possibilities regarding services and other trade related areas.

For the latest state of play, please see:
http://ec.europa.eu/trade/issues/bilateral/regions/acp/regneg_en.htm

For dates of EPA negotiating Rounds see:
http://ec.europa.eu/trade/issues/bilateral/regions/acp/epa_calendar_en.htm