Bloc to Bloc: Will the EAC sign the European Union’s EPA?

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EUROPEAN Union (EU) efforts to finalise an economic partnership agreement (EPA) with the East African Community (EAC) are unlikely to yield immediate results as the bloc misses another deadline and rhetoric against the deal intensifies.

Understanding the European Partnership Agreement

A decade after formal negotiations began over the EU’s proposed Economic Partnership Agreement (EPA) with the East African Community (EAC), talks have deadlocked and show little sign of being resolved. Although negotiations were officially concluded in October 2014, with an aim for all signatories to commit by July 2016, only two EAC members have committed themselves.

On February 2nd, EAC once again missed the deadline for signature of the agreement even after it was extended last October to allow EAC members to arrange a data-backed consultation on its domestic impacts.

While Kenya and Rwanda both signed the pact in September, the EAC requires all countries to sign before the EPA takes affect. The discussions on trade, however, have been delayed until further notice after authorities in Burundi, Uganda and Tanzania failed to comply with the EAC’s Secretariat’s January call for trade and revenue data ahead of the proposed meeting.

Tanzania has raised concerns over the ability of domestic industries to endure heightened European competition. Local producers are currently able to keep their heads above thanks to import tariffs, however government spokespeople have indicated the timing in Tanzania’s development trajectory may be inappropriate.

Tanzania argues that the EPA will undercut the EAC’s efforts to promote industrialization in its member states. Local manufacturers fear an influx of manufactured goods from the EU will undercut their profits before they can fully modernize. The EU’s Raw Materials Initiative (RMI) is especially concerning to countries with large agricultural sectors and ongoing development of natural resources projects (in particular oil projects).

The RMI, which stipulates “access to primary and secondary raw materials should become priority in EU trade and regulatory policy,” poses a risk that EAC members would reinforce low value-added industries by signing the EPA.

At the core of the debate, however, is the fact that as Least Developed Countries (LDC) all EAC members other than Kenya (which is middle-income) are guaranteed free access to the EU irrespective of signing the EPA under the ‘Anything But Arms’ agreement.

It’s worth noting that the World Bank expects Rwanda, Uganda and Tanzania to graduate from LDC status within a decade. If the EPA would legally guarantee access at that stage. However the short-term incentive to sign the EPA is compelling, and this “short-term” is seen as crucial in the EAC’s development narrative.

Questions over the impact of Brexit, import tariffs and the effective liberalisation amounts to 176% (55 of which must by achieved within 15 years), Tanzania has taken issue with this liberalisation.

EAC sticking points

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Outlook

Tanzania and Uganda are the only two EAC members to reject the EPA so far. In its place, the two countries have sought closer ties with the Indian and Chinese markets. However, these alternatives are unlikely to provide the same level of economic benefits as the EPA.

The EPA provides access to the EU market for goods produced in EAC countries, which is worth an estimated $500 million per year. Without the EPA, these countries would face increased tariffs and reduced access to the EU market. The EPA also provides for support in areas such as agriculture, infrastructure, and education, which are critical for economic development.

In the absence of the EPA, Tanzania and Uganda may face increased competition from other countries that have signed similar agreements with the EU. This could harm their economies and limit their ability to compete in the global market.

Overall, the EPA is seen as a crucial component of the EAC’s strategy for economic development and growth. Without it, Tanzania and Uganda may struggle to achieve their development goals.

Conclusion

The EPA is a critical agreement for Tanzania and Uganda, providing access to the EU market and support for economic development. Without the EPA, these countries may face increased competition and reduced access to the EU market, which could harm their economies and limit their ability to compete in the global market.