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.

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Understanding the European Partnership Agreement

A decade after formal negotiations began over the European Union's proposed Economic Partnership Agreement (EPA) with the East African Community (EAC), talks have deadlocked and show little sign of being resolved. Although negotiations 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 and political forces within Burundi, Uganda, and in particular Tanzania have halted progress on the agreement.

A Council of Ministers meeting scheduled for February 4th was cancelled until further notice after authorities in Burundi, Uganda and Tanzania failed to comply with the EAC Secretariat's January call for trade and revenue data ahead of the proposed meeting.

Ironically it was Tanzania which had called for the review in December in order to provide substance to the upcoming Heads of State Summit on February 27th - thought to be the final review of the EPA.

The reciprocal free trade agreement, in essence, seeks to provide EAC members with entirely unimpaired access to the 510 million strong EU market from the moment of ratification. In exchange, the EU seeks gradual liberalisation of the EAC market, providing access to 82.6% of the market's value over 25 years. The EU argues that given the EAC's existing common external tariffs, the effective liberalisation amounts to 17.6% (15% of which must be achieved within 15 years). Tanzania has taken issue with this liberalisation.

EAC sticking points

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 inopportune.

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 resource 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 (LDCs) 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 - the EPA would legally guarantee access at that stage. However the short-term incentive to sign the EPA is uncompelling, and this 'short-term' is seen as crucial in the EAC's development narrative.

Questions over the impact of Brexit, import tariff revenues and a Most Favoured Nation clause (ensuring the EU remains a priority partner) have also raised EAC eyebrows.

Quick look at the data

The most recent offical figures value EAC-EU trade at $7.34 billion in 2015, $2.88 billion of which represents EAC exports to the bloc. Kenya is by far the largest trader with the EU, with 2015 trade totalling $1.46 billion (EU imports were about double). At almost half the value, Tanzania's exports totaled $766 million.

Exports between EAC members tell a similar story: unsurprisingly Kenya dominates exports with $1.29 billion against Tanzania's $992 million and Uganda's $909 million. Kenya, then, clearly has much more to lose from a loss of free access than its regional peers. That said, trade volumes are significant for all parties (in particular the EU).

Outlook

Given recent political rhetoric and a lack of commitment to informed dialogue, it is unlikely an EPA will be signed off anytime soon.

With the February 2nd deadline now weeks behind us, there is no certainty of another EU extension. In the event that an extension is granted and that Tanzania and Uganda come to the table after reviewing a trade report, EU sanctions on Burundi's government essentially blocks negotiations with the final signatory required.

As far as regional pressure is concerned, August's general elections in Kenya limit the government's international interest as it looks closer to home.

In the medium term it is unlikely that this will impact EAC enterprises or investments as a majority of members are likely to retain free access to the EU; a change in EU stance on this would have further-reaching implications than the EAC.

Kenya too is unlikely to lose access immediately; its signature of the EPA is regarded as a strong commitment to ties with Europe and there is speculation that it could pursue a 'watered down' EPA outside of the customs union.

Notable trade volumes between the blocs would suggest there is something to gain from a trade agreement, however this is likely to manifest in a much less contentious form and is unlikely to come at this stage in the narrative.