

# IMPROVING EAC PRIVATE SECTOR AWARENESS ON THE EPA AND INVOLVEMENT IN TRADE POLICY



A bi-monthly newsletter published within a Trade.Com project for EABC  
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## About the Project

The ACP-EU TradeCom Facility is implementing the project "Improving EAC private sector awareness on the EPA and involvement in trade policy" for the East African Business Council. The project started in August 2009 and will last until April 2010. The TradeCom Programme aims at consolidating, and even creating, where absent, the necessary capacity that would enable ACP countries to craft trade policies with a view to achieving sustainable development, poverty reduction and successful integration into the global trading system. The Programme therefore intends to develop capacity within the ACP countries and regions and to provide intellectual expertise to help them to devise their own development-oriented trade policies, to implement existing trade agreements, and to formulate effective negotiation strategies on trade matters."

## EAC SEEKS DEAL TO CONCLUDE INTERIM EPA



**Peter Kiguta,**  
EAC Director General  
of Customs and Trade

East African Community (EAC) Partner States are currently negotiating Economic Partnership Agreements with the European Commission (EC) under the EAC-EC EPA configuration.

Upon signing the Framework EPA on 27th November 2007 the EPA negotiations, certain issues emerged that made it difficult for Partner States to hasten the signing.

While a number of these have been resolved, other issues to do with the Most Favoured Nation Clause (MFN) and the one on Duties and Taxes have remained intractable.

Further, the EPA negotiations have recognised that the development provisions in the Framework EPA are weak and need to be beefed up prior to signing. In the present formulation, the provisions on development are vague and there are no commitments whatsoever.

Negotiations on Market Access issues comprising: Market Offers, Customs & Trade Facilitation, Technical Barriers to Trade, Sanitary and Phytosanitary Measures and Rules of Origin have made remarkable progress.

The Market Offers were exchanged and either par-

ty accepted the others offer.

Texts on the other issues have also been finalised save for the provisions that are supposed to be incorporated in the development text for purposes of capacity building and seeking of additional resources.

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# CONTENTIOUS ISSUES HOLD BACK EAC-EC EPA SIGNING

Negotiations on the Rules of Origin have not been launched nor even approaches exchanged. This is because the EAC Partner States have been undertaking extensive consultations on these to ensure that they are development friendly and would encourage cumulation with all the relevant trading partners in the neighbouring COMESA and SADC regions and elsewhere.

Comparatively negotiations under the Trade in Services cluster have not made remarkable progress as in the case of Market Access issues.

While Partner States have stated their willingness to negotiate services under the EPA they have made little progress on the subject. In the past few regional EPA meetings Partner States have made limited progress in developing the EPA text.

However, similar progress in developing Requests and Offers to the European Communities has not been achieved.

Some of the difficulties stem from the fact that Partner States have not undertaken sufficient autonomous domestic reforms and liberalisation measures to warrant making the domestic services sectors competitive. Numerous domestic regulations and the institutional arrangements on which a number of monopolistic services are hinged also make it difficult to undertake expedited reforms.

Given the complexity of the issues under services negotiations it is important to create partnership between the private sector and EPA negotiators to ensure that services negotiations under EPA provide the conducive competitive environment and opportunities for growth.

The preparation and sequencing of Requests and Offers should aim at ensuring that competitiveness of the private sector on services trade is given an upper hand in EPA negotiations. Transparency is important to ensure that the market access provided under services is credible mode based and benefits a wide range of stakeholders in the private sector.

Regional harmonisation is important and EPA negotiators should ensure that clear linkages are made with the Common Market commitments to prevent situations where EPA nego-



tiators might make superior commitments than those already made under the Common Market.

Much as there might be nervousness in having a liberalised trade in services regime, I think it is important to dismantle some of the domestic regulations that actually constitute barriers and enhance the level playing field in order to attract investments and foreign capital to the local services sector. This however should not be construed to mean that the level of ambition of the national and regional service industry is substituted with foreign interests.

Economic and development cooperation is not entirely a trade issue, however, the development dimension on EPA negotiations is too strong that it cannot be overlooked. Given the insufficient time available for the ACP countries negotiating EPA to fine tune their economies to the level that they may participate effectively in EPA type agreements, it is important that the ACP countries have sufficient resources to upgrade their capacities and address not only the supply side deficiencies but also mitigate any resultant adjustment costs.

They might also want to undertake comprehensive capacity building on quite a number of areas that would aid trade facilitation.

*This is an abridged version of opening remarks by EAC Director General of Trade and Customs at the opening of EAC EPA Regional Sensitization workshop*



## THE FIRST REGIONAL SENSITISATION WORKSHOP ON EAC-EU EPA

**Adrian Njau,**  
*Local Coordinator, EABC-TradeCom Project*

Private sector representatives and officials from public sector involved in Economic Partnership Agreement (EPA) negotiations between November 27 and 28, 2009 met in Arusha, Tanzania for a regional workshop to discuss priority areas for the private sector in the negotiations.

The workshop organized by the East African Business Council with support from TradeCom Facility came up with recommendations and strategies for the private sector in East Africa to articulate its position on various issues pertaining EPA.

The workshop was part of the cooperation between EABC and TradeCom Facility on a project aimed at improving EAC Private Sector Awareness on the EPA and Involvement in Trade Policy.

“The Workshop was moderated by the project’s Team Leader, Mr. Frederick Alipui and saw the intervention of Mr. Peter Steele, Sector Specialist on Rules of Origin. Besides, other presentations were delivered by Adrian Njau, Local Coordinator and by Mr. Charles Yegella and Ms. Beatrice Chaytor of ILEAP

EAC-EC EPA is another form of integration between the EAC and the European Union with the aim of creating an EAC-European Union Free Trade Area.

The EAC-EC integration pattern will have substantial impact on the private sector in the EAC region.

Therefore, private sector participation in such negotiations is of paramount importance. The private sector in East African is holding consultations with aiming of coming up with positions which take on board interests of the private sector in the on-going Economic Partnership Agreements (EPA) negotiations.

EAC Partner States and the European Commission on behalf of the European Union (EU) are currently negotiating EPA under the EAC-EC-EPA configuration with view of creating Free Trade Area (FTA) arrangement between the two regions.

During the workshop, participants agreed to continue consulting and come up with harmonised position of various EPA clusters which were of paramount important to private sector.

Some of the private sector positions will be on Rules of Origin, Trade in Services, Agriculture, Economic and Development Cooperation and Trade Related Issues namely Competition, Intellectual Property Rights, Investment & Private Sector Development, Trade, Environment and Sustainable Development and Transparency in Public Procurement. The private sector positions will take on board the private sector interests in the region on EPA negotiations and EAC-EC integration process.

# EAC PRIVATE SECTOR UPBEAT ON SIGNING FEPA

**Adrian Njau,**

*Local Coordinator, EABC-TradeCom Project*

The private sector in East Africa has a firm belief that the East African Community Partner States and European Commission (EC) will resolve contentious issues under EPA negotiations and finally sign a Framework for Economic Partnership Agreement (FEPA). FEPA was initiated on November 27th 2007 in Kampala Uganda after which EAC and EC were supposed to finalize any errors, omissions and corrections to the FEPA, have it signed, ratified and notified to the World Trade Organisation (WTO) before proceeding with comprehensive EPA negotiations.

The Comprehensive EPA negotiations were supposed to be finalized by end of July 2009. However EAC-EC-EPA configuration has neither finalised comprehensive EPA negotiations nor finalized FEPA initiated 2007 for signing mainly due to various contention issues contained in the FEPA.

Some of the issues which have delayed negotiation include: standstill clause, Most Favoured Nation (MFN) clause, duties and taxes on exports, level of liberalisation in the Trade in Services, existing rules of origin, and vagueness of the provisions on development and economic cooperation.



Participants at a two-day regional sensitization workshop on the EAC–EU EPA, which took place between November 27th and 28th in Arusha, Tanzania, expressed optimism that unresolved issues will eventually be concluded, paving way for the signing of FEPA and ultimately concluding a comprehensive EPA.

While EC is insisting on including MFN clause in EPA, EAC Partner States insist that the clause should be deleted since its perceived that its inclusion will discourage south to south trade relations. EC's position, on taxes and duties on exports, is that the parties should be allowed to institute any new duties or taxes in connection with export of goods to other party.

However, EAC Partner States insist that EAC should be allowed to impose a duty or tax base on stipulated specific criteria for determination of export tax. At the workshop, the private sector strongly argued for simpler and friendly rules of origin which will encourage cumulation with all EAC trading partners such as Common Market for Eastern and Southern Africa (COMESA) and Southern African Development Community (SADC).

The existing rules of origin under EAC-EC FEPA do not allow cumulation with South Africa is pertinent issue which may affect the proposed EAC-COMESA-SADC Free Trade Area.

Participants also agreed that EAC-EC-EPA should opt for simple Rules of Origin by adopting wholly obtained and change of tariff classification criteria to most of the products to allow EAC Partner States products access the EU market.

The current Rules of Origin under FEPA use value addition and technical specifications as criteria for classifying goods origination from EAC.

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