



# Economic partnership agreements between the EU and African, Caribbean and Pacific (ACP) countries

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## Objectives and benefits

The Economic Partnership Agreements (EPAs) are trade agreements between the EU and several African, Caribbean and Pacific (ACP) countries. Their **principal aim** is to **remove tariffs and some other obstacles to bilateral trade between them**. This way, businesses in the EU and ACP countries can **trade freely with each other**. Trade and investment ties are enhanced thanks to the overall improved business environment. Consumers gain access to a bigger variety of cheaper goods. EPAs also help integrate the ACP partners into the world value chains – and ultimately contribute, through trade and investment, to sustainable development, job creation and poverty reduction.



*The Economic Partnership Agreements are trade agreements between the EU and 32 African, Caribbean and Pacific countries.*

## Increased trade between the EU and EPA countries

EPAs have replaced the previous system of unilateral trade preferences to ACP countries that functioned under Lomé Conventions since 1975. To date, **32 of the 79 ACP countries are implementing EPAs**. Overall EU's trade with these countries increased from EUR 58 billion in 2008, when the first EPA started to be provisionally applied, to EUR 65 billion in 2020, representing a 13% increase in the value of trade in just over a decade. Over the same period, EU imports from these countries increased from EUR 31 billion to EUR 34 billion (9% increase) and EU exports increased from EUR 27 billion to EUR 32 billion (17% increase).

## Focus on development needs

EPAs are designed in a way that respects the rules of the World Trade Organisation. But they also go beyond conventional free trade agreements by **taking into account the socio-economic needs and development level of ACP countries**. They include development cooperation and assistance to help ACP countries take full advantage of the agreements.

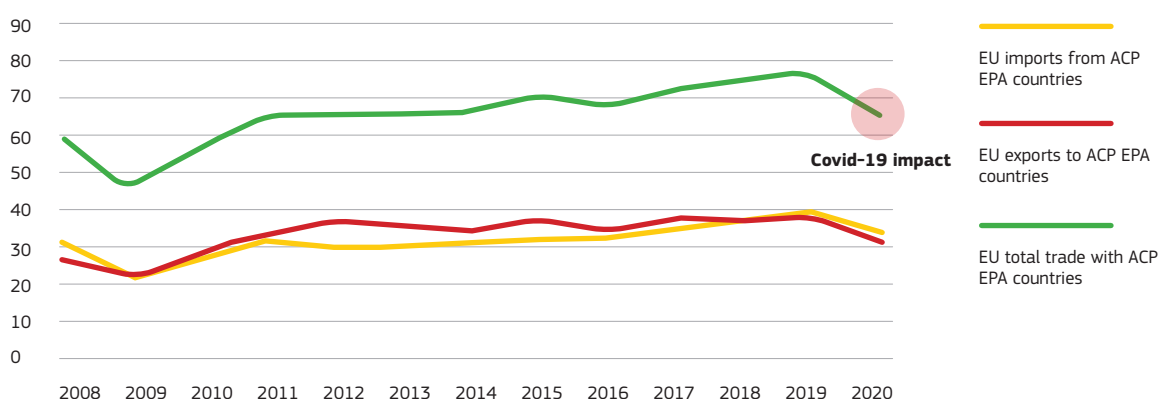
## State of play of EPAs

EPAs with ACP countries or regions are at different stages of their life cycle:

### I. EPAs in force with 32 ACP countries:

- ➔ EPA with 14 CARIFORUM States<sup>1</sup> is applied since 2008;
- ➔ EPA with Pacific States is applied by Papua New Guinea since 2009, Fiji since 2014, Samoa since 2018 and Solomon Islands since 2020;
- ➔ EPA with Eastern and Southern Africa (ESA) is applied by Madagascar, Mauritius, Seychelles, Zimbabwe since 2012 and Comoros since 2019;
- ➔ EPA with Cameroon in Central Africa is applied since 2014;
- ➔ EPA with the Southern and African Development Community (SADC) is applied by Botswana, Eswatini, Lesotho, Namibia and South Africa since 2016; and Mozambique since 2018;
- ➔ EPA with Côte d'Ivoire is applied since 2016; and
- ➔ EPA with Ghana is applied since 2016.

### Evolution of EU trade with ACP EPA countries in billion euros



### II. Negotiations concluded but adoption of EPAs pending:

- ➔ EPA with the **West Africa region** covering **16 countries** (Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Guinea Bissau, Côte d'Ivoire, Liberia, Mauritania, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo); and
- ➔ EPA with **the East African Community (EAC)** covering **5 countries** (Burundi, Kenya, Rwanda, Tanzania, and Uganda).

### III. Widening and deepening of EPAs:

- One of the advantages of EPAs is that they are **dynamic partnerships**. Other interested countries in a region can join an existing agreement to enjoy the same benefits. This process is called **“widening”**:
  - ➔ In 2020, Angola requested to join the SADC EPA and the accession negotiations are pending approval of the parties; and
  - ➔ Tonga and Timor-Leste notified the EU of their intention to join the Pacific EPA in 2018 and 2020, respectively.
- EPAs also offer possibility to add new areas to the agreements once the partner countries are ready to take up such commitments. This is called **“deepening”** of EPAs. For instance services, investment, trade facilitation can be integrated into EPAs to develop an even more open business environment. Trade and sustainable development is a particularly important area that is required in the new EU agreements.
  - ➔ Ongoing negotiations for deepening the EPA with the Eastern and Southern Africa aim to **create a modern and comprehensive trade and development agreement** by extending its scope and commitments between the parties.

<sup>1</sup> CARIFORUM Members are Antigua and Barbuda, The Bahamas, Barbados, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago. However, Haiti is not provisionally applying the agreement



## Main features of EPAs

### 1. Fostering trade and investment, opportunities for business in the EU and ACP countries

The main objective of the EPAs is to **liberalise trade between the EU and ACP partner countries**.

- EPAs foresee **asymmetric removal of tariffs**. In practical terms, this means that the EU fully liberalised access to its market immediately upon application of the EPAs and all goods from ACP partner countries can enter the EU market without any tariffs or quotas.
- ACP partner countries benefit from **transitional periods** and **exclusion of sensitive products** from liberalisation. This is set out in each EPA in liberalisation schedules which provide for a list of products to be liberalised over a certain period and a date for liberalisation to be finalised.
- EPA partner countries may also benefit from other facilities that take into account their development needs such as **cumulation of rules of origin, special safeguards and measures for agriculture, food security and infant industry protection**.

**High preference utilisation rates** of EPAs show that EPA partner countries fully use preferences to export to the EU market. EU business is still exploring the high potential of ACP EPA markets.

The **deepening of EPAs into modern and comprehensive agreements**, such as the ongoing one with the ESA EPA countries, allows to include in EPAs other trade-related areas from services, technical barriers to trade, customs and trade facilitation, government procurement to intellectual property and trade and sustainable development. Such disciplines will encourage investment further by enhancing the business environment and providing more opportunities for companies. This is especially relevant in light of the ongoing diversification of ACP economies towards services, such as construction, renewable energy, telecommunications, transport and financial services.

### 2. Agriculture, industrial development and diversification of trade

Together with the EU development cooperation mechanisms, EPAs are designed to **foster reform and strengthen governance** in partner countries. This in return can lead to the creation of an attractive business and investment environment, opens new trading opportunities, and boosts economic growth. The EPAs are international agreements that do not expire. Thus, the timeless free access of partner countries into the EU market, on the one hand, and the long-term free access of EU products into their markets, on the other, **increase incentives to invest** in developing ACP countries and in building capacity to meet EU standards. **Legal certainty, stability and predictability** are among the main aspects potential investors are likely to consider when deciding on an investment.

EPAs offer opportunities for farmers in EPA partner countries as the EU is the biggest importer of agricultural products from ACP countries. While **EPAs remove tariffs on most agricultural products**, some **sensitive goods are treated with care**. ACP partner countries have been able to protect some sensitive agricultural products, either by excluding them from tariff cuts or by keeping the option of triggering safeguards in case of unforeseen, sharp and sudden increase of imports from the EU. They can also take food-security measures where necessary.

EU development assistance, through trade capacity-building measures, supports ACP farming and rural employment, and farmers' capacity to comply with sanitary and phytosanitary and other agricultural standards. This alignment of standards makes it easier to comply with the requirements necessary to bring those products into the EU, further opening trading opportunities in the agricultural sector.

EPAs also can help ACP countries **develop their industrial capacities, produce value-added goods and diversify trade** (from heavy reliance on oil and mineral or commodities revenues). EPAs lower the cost of imported inputs and thus contribute to



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*EU is the biggest importer of agricultural products from ACP countries.*



### Organic exports from the ACP EPA countries

*The Dominican Republic is the largest ACP organic exporter, but also the second largest source of EU imports of organic products. The Dominican Republic accounted for 26% of EU imports in this category. Other important ACP EPA organic exporters include Cote d'Ivoire, with strong growth in Ivorian organic banana exports to the EU in 2020. Also worth noting is that almost half of EU imports of organic citrus originate in South Africa (43%).*

lowering production costs. This increases the competitiveness of the local economies to produce for local, regional and international markets and to connect to global value chains. For example, thanks to duty free access to the EU's market provided by EPA, in 2020 South Africa exported to the EU market **vehicles** in value of EUR 3.5 bn. The EU's exports of automotive parts to South Africa was worth EUR 1.8 bn. Another example concerns **textiles and clothing sector**. Madagascar has developed exports to the EU taking advantage of flexible rules of origin for this sector in EU-ESA EPA.

Like for sensitive agricultural products, EPAs allow ACP countries to exclude from liberalization some sensitive industrial products within the limits of multilateral rules, or in certain situations allow measures that protect infant industry and industrial sectors.

### 3. Trade and sustainable development

EPAs have **sustainable development** as their **key objective**.

In the Cotonou and post-Cotonou Partnership Agreements, the EU and ACP countries agreed to promote trade in a way that meets internationally recognised labour standards, protects the environment and manages natural resources in a responsible way. EPAs are based on the "essential and fundamental" elements, i.e. human rights, democratic principles, the rule of law, and good governance. Appropriate measures can be taken if any party fails to fulfil its obligations in respect of those essential elements.

While most of EPAs do not include a fully-fledged Chapter on Trade and Sustainable Development, key principles for trade and sustainable development are included in EPAs with CARIFORUM and SADC.

The discussions are currently ongoing with the Pacific EPA countries on a **Political Declaration on Trade and Sustainable Development**. EU and ESA countries have agreed to include a Chapter on Trade and Sustainable Development as a part of a modernized EPA.

In the framework of EPAs, the EU, Ghana, Côte d'Ivoire and Cameroon discuss **sustainability of cocoa supply chain**.

### 4. Forum for government to government dialogue on trade and civil society involvement

EPAs provide for a forum for dialogue and exchanges between the EU and partner countries. This dialogue takes place in the **committees** which are tasked to manage and monitor EPAs. EPA committees meet regularly, usually twice a year.



*Sustainable development is one of the key objectives of EPAs.*



*EPAs provide a forum for dialogue and exchanges between the EU and partner countries.*



### **Sustainable Cocoa Initiative**

*The Sustainable Cocoa Initiative is an initiative of the EU which brings together stakeholders in the cocoa supply chain in West Africa to discuss how to improve the sustainability of cocoa production. The Initiative has three main objectives: a) to ensure a living income for farmers, b) to eliminate child labour, c) to eliminate deforestation.*

The committees provide a forum to discuss any issues concerning **the implementation of the agreements** e.g. how to implement some provisions, barriers to trade which business may face, liberalization schedules, trade and sustainable development.

EPAs also involve enhanced policy cooperation and dialogue on agriculture and food security, and require transparency on domestic support for the farming sector. Rules of origin and other customs issues are discussed in the special committees on customs and trade facilitation.

The reports of the meetings are published on the DG TRADE website.<sup>2</sup>

The **EPA with the CARIFORUM** countries includes a **functioning civil society consultation mechanism** that gathers civil society from the EU and the CARIFORUM states. It meets on a regular basis in parallel to the official Trade and Development Committee. This provides for a direct opportunity for stakeholders to raise their issues of concern. In the other EPAs, the process of establishing similar civil society mechanism is ongoing.

In 2019, the EU also organised an **informal technical group on sustainable development in Côte d'Ivoire**, where civil society exchanged their views on how to address sustainability issues under the EPA. The multi-stakeholder dialogue on the Sustainable Cocoa Initiative is another example of the importance of the direct involvement of civil society.



*Some EPAs include civil society consultations and technical groups on sustainable development.*

## **5. Regional integration**

EPAs bring together smaller markets in larger EPA regions that were established by the ACP countries themselves, thus building on the existing regional economic communities. Regional preference clauses in EPAs set out that countries in the same region should provide at least the same advantages to each other as they do to the EU. EPAs are therefore as much about regional trade between the parties to an EPA as they are about trade with the EU.

While **economic integration** is a **choice of the ACP countries, the EPAs and accompanying development assistance from the EU can support** these processes. This regional opening and integration is a big business opportunity to expand trade beyond the limits of one country and achieve economies of scale. Rules of origin in EPAs allow companies to more easily source inputs from other EPA locations without losing their duty free access to the EU.

<sup>2</sup> [Economic Partnership Agreements \(EPAs\) - Meetings and documents - Trade - European Commission \(europa.eu\)](https://ec.europa.eu/trade/policy/economic-partnership-agreements-epas/)