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DRAFT OPINION

of the Committee on Development

for the Committee on International Trade

on the proposal for a Council decision on the conclusion of the Economic Partnership Agreement between the East African Community Partner States, of the one part, and the European Union and its Member States, of the other part (COM(2016)0064 – C8-xxxx – 2016/0038(NLE))

Rapporteur: Cristian Dan Preda

SHORT JUSTIFICATION

The Economic Partnership Agreements (EPA) are meant to be development-oriented trade partnerships. On several occasions, this Parliament has called for them to be driven by the partner countries' needs and to foster development, economic diversification and regional integration, while contributing to poverty eradication.

The EPA under review (hereafter EAC EPA) was initialled in October 2014, between the EU and its Member States and the East African Community Partner States, Burundi, Kenya, Rwanda, Tanzania and Uganda. Apart from Kenya, the EAC EPA partners are least developed countries (LDCs) and thus benefit from duty-free quota-free access for their goods into the EU. Kenya, as a lower middle-income country, benefits from preferential access under the Market Access Regulation arrangements until October 2016. Once in place, the EPA will guarantee uniform access without any duties or quotas to the EU market for the EAC region.

Like most EPAs, this is a goods-only agreement, based on asymmetric market access, allowing EPA partners to exclude sensitive products from liberalisation. An important number of built-in safeguards, as well as the possibility to introduce new temporary export taxes provide for policy space and flexibility. Furthermore, improved rules of origin are likely to facilitate exports and boost economic integration within the region.

On human rights and other essential elements, the EPA builds on the acquis of the Cotonou Agreement and refers to "appropriate measures" that parties can adopt pursuant to it (linkage clause). Whilst a freestanding human rights clause would have been preferable, the expiry of the Cotonou Agreement in 2020 is likely to require a revisiting of the EPA to ensure that human rights conditionality is maintained. The objectives of the agreement include, however, a welcomed reference to the promotion of good governance.

Regrettably, the Cotonou Agreement serves as a fallback position on another contentious issue, sustainable development. However, a *rendez-vous* clause commits parties to conclude negotiations, within 5 years from the entry into force of the agreement, on environment and sustainable development, together with a number of other areas including services, investment and private sector development. Sustainability issues are punctually addressed in the large chapter on fisheries, and the Committee of senior officials established by the agreement is tasked, *inter alia*, with monitoring the impact on sustainable development.

The EPA's comprehensive development pillar aims at addressing EAC partners' adaptation challenges by foreseeing support in terms of building capacity and fostering structural transformation. As for the financial support, the EU commits to provide resources, on a timely and predictable basis, for EPA implementation through the European Development Fund, the EU budget and any instrument used to implement EU's Official Development Assistance. The future EPA fund could prove a useful modality to channel resources. The matrix on financial needs, as identified by ACP partners, can be a useful tool in prioritising needs.

Overall, EPA implementation should be guided by addressing necessary governance issues. Some recognition is given to the potential fiscal losses of phasing out of tariffs, which the EU commits to cover transitionally and, more importantly, to engage in an enhanced dialogue on

the issue of fiscal reforms. Moreover, a welcome provision foresees cooperation on tax governance.

As is the case for most other EPAs, the EAC EPA falls short of this Parliament's expectations as regards parliamentary involvement in the monitoring process. The EPA does however foresee a joint consultative committee for overseeing the agreement that encompasses private sector and social and economic partners, along with civil society. Making adequate resources available will be key to ensuring civil society participation.

From a policy coherence for development (PCD) perspective, the inclusion of pro-development provisions such as long transition periods, exclusions from market opening or safeguards for food security and infant industries can be viewed positively.

The EPA is a start; only implementation will show how effective and viable a path the agreement is towards broad economic and institutional reforms. The rapporteur therefore underlines the importance of establishing an efficient and strong monitoring mechanism able to address potential implementation hurdles. Development concerns should remain an essential element of the EPA's implementation and inform all EU's actions, in line with its PCD obligations.

The rapporteur believes that, overall, the EPA has the potential to act as a catalyst for inclusive and sustainable development and growth in the region.

The Committee on Development calls on the Committee on International Trade, as the committee responsible, to recommend that Parliament give its consent to the proposal for a Council decision on the conclusion of the Economic Partnership Agreement between the East African Community Partner States, of the one part, and the European Union and its Member States, of the other part.