Rwanda Ready for EAC-EU Partnership

By Eric Kabeera

KAMPALA, Uganda, October 07, 2014 (The Independent) -- As negotiations between East African countries with the European Union end in the next few weeks, Ambassador Valentine Rugwabiza, the Rwandan East African Community (EAC) Affairs Minister is optimistic about the signing of a partnership. The regional ministers are expected to pen their signatures on the historical paper that is anticipated to change the region's economies either positively or negatively.

The negotiations between two blocs started in November 2007 after initiating the framework Economic Partnership Agreements (EPA); however, since then the two economic blocs have failed to come to an agreement as each looks out for its own economic interests.

Minister Rugwabiza who attended an EAC Council of Ministers meeting in Arusha to discuss the EAC-EU Trade said senior officers of the EAC will be meeting with EU delegates to clean up the text before signing.

"We have addressed all the contentious issues that were hindering the negotiations. It has delayed because each country was looking carefully at everything.

"We should not expect any negotiations anymore, we have reached the common position as East African countries and if everything is done by our technicians then we will be able to sign the agreement."

According to the Rwandan official, if implemented, the regional trade and investment will increase. However, she says, there is need to double the production capacity and ensure the standardisation of goods and services produced within the region in order to compete on European market.

The European Union commission is negotiating on behalf of the 27 European countries but the five East African countries did not delegate the EAC Secretariat to represent them. Instead, each member state represents its own interests. This has led the negotiations to drag on.

Under the EPA, both economic blocs will open up their markets for trade and investment by removing the duty free access to both markets.

The regional member countries have always held that taxes on exports of raw materials are very significant in developing the region's agriculture-based industries as well as maintaining currency stability, particularly when global commodity prices surge.

With the population of over 507 million, the economy of the European Union generates a GDP (nominal) of about €14.303 trillion (US$18.451 trillion in 2014) and a GDP (PPP) of about €12.710 trillion (US$16.773 trillion in 2014) according to Fund, which makes it the largest and second economy in the world respectively if treated as the economy of a single country.

Imports from EU to East African countries are dominated by machinery and mechanical appliances, equipment and parts, vehicles and pharmaceutical products.

EAC is estimated to have 141.million population with a GDP (market prices) of $99.8 billion.

However, towards the end of September, the five East African countries finally came to an agreement and got a collective position on the negotiations after addressing all the contentious issues.

Winners and losers:

In 2013, Rwanda's main export destination was Europe accounting for 33 percent of the total trade. This was followed by both EAC and Asia accounting for 21 percent each, DRC accounted for 20 percent with the rest being other African countries, Middle East and America.

In 2012, Rwanda's main export to European market stood at 43 percent, EAC with 23 percent, DRC 13 percent, Asia and Australia 12 percent while the remaining destinations were America, Middle East and other African countries.

Rwanda exports coffee, tea, vegetables, flowers, and other goods. While other exports from east African counties that dominate EU markets are tobacco and fish.

Last year Kenyan exports to European market accounted for 29 percent of its total exports, while Uganda's exports accounted for 18 percent. Tanzania and Burundi have the lowest share with 12 percent and 7 percent respectively.

The concerns raised in the negotiations include revenue loss to governments. There is, however, still a window of potential for the EAC to offset revenue loss, especially if the bloc exploits new market opportunities that have been realised under the EPAs.

EAC's concern with export related taxes is based on the apprehension that restrictions on policy space shall impact on the export taxes as a trade policy instrument.

But questions that remain lingering are whether the region will be able to compete with the European market, especially as both economic blocs differ in terms of economic development.

If East Africa countries do not position themselves well, the region is likely to become a dumping ground for European goods. This will not only hinder the growth of the economies but it will devastate the budding industries within the community.

John Bosco Rusagara, a regional trader who also doubles as chairman of the Rwanda Shipper's Council believes that it's imperative for the East African region to be cautious and position itself to compete and benefit effectively from the partnership.

"To benefit or to lose depends on how one economic bloc positions itself, in terms of industrial competitiveness, infrastructure, trade facilitation and many others.

"EU plays a significant part in the export process of EAC, especially agro-related products which contribute to the region's economy greatly. So it is a market one cannot ignore. On the side of imports most of the capital goods are sourced from the EU market.

So EAC will gain if we take the opportunity availed by the EPAs by solving our supply related constraints."

Rusagara further explained that to gain more from the partnership , the EAC has to address the supply-side related constraints such as affordable and reliable energy, efficient transport system, labour skills, well facilitated trade, and others.

"Exports from EAC to EU will not change much because we already accessing the market through the Generalised Preference System in case of Kenya and Everything But Arms in case of the rest of the Partner States. Capital goods and raw materials from EU are imported into EAC at zero percent (EAC CET). The critical agricultural items to the EAC have been categorised as sensitive thus attracting higher duties," he said.

Should EAC countries fail again to come sign the agreement within the expected time, it means missing an opportunity for quota free, duty free EU market access. According to statistics, Kenya is likely to suffer; especially on its cut flowers.

Experts say that, exports of cut flowers from Kenya will fall under the Generalised System of Preferences regime and duties will be charged on these exports to the EU. Kenya currently exports flowers to the EU worth US$537 million and vegetables worth more than US$307 million annually, with the EU accounting for about 40% of Kenya's fresh produce exports. **(This story was originally published by The Independent in Uganda)**