



FACT SHEET ON THE INTERIM ECONOMIC PARTNERSHIP AGREEMENTS*

The Pacific: Papua New Guinea (PNG) and Fiji

July 2014

1. State of Play

The Pacific ACP (PACP) group is made up of small and extremely small island economies with generally tiny landmasses (with the exception of PNG) but vast Exclusive Economic Zones (EEZ) in the surrounding ocean.

Trade between most of the Pacific States and the EU is very limited. The PACP share of EU trade is just 0.06 %. Their most important export products to the EU are palm oil, copper, sugar, coconut (copra) and fish.

In view of the expiry of the trade provisions set out in the Cotonou Agreement on 31 December 2007, the two Pacific ACP countries with any significant exports to the EU - Papua New Guinea (PNG) and Fiji - agreed an interim EPA with the EU in late 2007. Pending the conclusion of a comprehensive EPA between the Pacific States and the EU, the agreement maintains and improves PNG's and Fiji's preferences in the EU market for their main exports and ensures that they benefit from improved Rules of Origin for key products like canned tuna. The agreement was signed by the Parties in the latter half of 2009. Provisional application of the agreement for PNG started on 20 December 2009. Fiji notified provisional application of the agreement in July 2014. The European Parliament approved the agreement on 19 February 2011, while the National Parliament of Papua New Guinea ratified it on 25 May 2011.

The Least Developed Countries (LDCs) of Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu all benefit from the Everything But Arms (EBA) initiative which offers duty free and quota free access to the EU. The non-LDCs that did not join the interim EPA (Cook Islands, Tonga, Marshall Islands, Micronesia, Niue, Palau and Nauru) have benefited from the EU's regular Generalised System of Preferences since 1 January 2008.

* This fact sheet describes the content of the interim Economic Partnership Agreement. It does not in any way replace or interpret the provisions of this agreement.

2. Main features of the interim EPA with PNG and Fiji

The **Interim EPA** covers all major provisions of a **trade in goods** agreement:

- **Duty-free quota-free access** into the EU for all imports from PNG and Fiji;
- An **asymmetric** and **gradual** opening of their markets to EU goods, taking full account of the differences in levels of development between them and the EU (see below);
- A chapter on **trade defence** with safeguards allowing each party to reintroduce duties or quotas if imports of the other party disturb or threaten to disturb their economy;
- A chapter on **Technical Barriers to Trade** as well as **Sanitary and Phyto-sanitary** (SPS) measures, to help Pacific exporters meet EU import standards; and
- A chapter aiming to **facilitating trade** through measures such as more efficient customs procedures and better co-operation between administrations (and between administrations and business).

The interim EPA emphasises the need for cooperating closely at the national level to maximise the synergy between development co-operation and the agreement's objectives. It also contains a food security clause, provisions regarding the relationship between it and the Cotonou Agreement and World Trade Organisation (WTO) as well as a dispute settlement mechanism, institutional provisions, and general and final provisions.

The respective liberalisation commitments of the parties as well as the applicable Rules of Origin are set out in annexes. There is also an annex on mutual administrative assistance in customs matters.

Liberalisation commitments

All imports from PNG and Fiji (except arms and ammunition) enjoy duty-free and quota-free access to the EU.

PNG has committed to liberalise 88% of EU imports on the date of application of the agreement and excluded products from the most sensitive economic sectors (e.g. meat, fish, vegetables, furniture) and luxury products (jewellery).

Fiji will liberalise 87% of EU imports over 15 years, 14 % on the date of application, another 2.5% by the end of year five, 60 % by the end of year ten and a final 11 % of value by the end of year fifteen. Fiji excluded products from the most sensitive economic sectors and those important for revenue purposes such as meat, fish, fruits and vegetables, alcohol, tubes and iron.

Other elements

The interim EPA includes specific provisions regarding Rules of Origin for fishery products, by virtue of which signatory PACP States (so far only PNG and Fiji) are exempt from the use of originating fish for the manufacturing of processed and preserved fishery products, as would normally be required by the EU's standard rules

of origin ("global sourcing"). The purpose of this arrangement is to support the development of onshore processing capacity for fish (mainly tuna) in the Pacific States, in order to create local employment (in particular for women) and income. It takes into account the specific circumstances of the Pacific region, including the limited fishing capacity of the Pacific States' fishing fleet, the limited supply of wholly-obtained fish to meet on-land demand, the limited on-land processing capacity, and the low risk of destabilising EU markets due to large inflows of fishery products from the Pacific States. The special origin provisions will operate within the frame of conservation and management measures established by the Regional Fisheries Management Organisations aiming at ensuring long term sustainability of fish stocks. The EU supports the sustainable management of fishery stocks which is also a major pillar in its strategy for the Pacific.

In accordance with the requirements of the Interim Economic Partnership Agreement, a report on the implementation of global sourcing was prepared during the second half of 2011. Consultations with Papua New Guinea took place on the basis of this report in February 2012. The report and a joint document summarising the outcome of the consultation are available on the website of DG TRADE.

The report looks at the impact of global sourcing on development in Papua New Guinea, on the sustainable management of marine resources in the Western and Central Pacific, and on the EU tuna processing industry.

The report concludes that:

- existing canneries in PNG have so far made only limited use of global sourcing. There are, however, five major investment projects in the pipeline which will lead to an increase of direct and indirect employment in PNG by about 53.000 jobs by 2016, mostly for PNG nationals and women;
- while relevant conservation and sustainable management measures are in place at the national, sub-regional and regional levels, the effectiveness of these measures needs to be improved; and
- while as a result of the planned investments in the sector, the market share of PNG in the EU will increase, this will mainly affect other Pacific exporters, which operate in the same market segment.

During the consultation, the parties discussed the measures that PNG would take to make the conservation and management measures more effective, the review of the domestic labour legislation, and the steps to be taken to improve environmental monitoring.

The interim EPA with the Pacific does not include a development co-operation chapter. The Regional Indicative Programme for the 10th European Development Fund nevertheless provides for support to various activities in the area of sustainable development (including the sustainable management of marine resources, and the protection of ecosystems and biodiversity) and trade development.

3. State of play of comprehensive EPA negotiations

All 14 PACP as a region continue negotiations on a comprehensive EPA.

The last technical round of negotiations took place in July 2013. PNG announced in October 2013 its withdrawal from the EPA negotiations but has recently announced its return as an observer to the negotiation table. Future meetings between the EU and the PACP States will be decided upon once the latter will have come up with unified standpoints on various outstanding issues such as the sustainable management of marine resources.

Main outstanding questions include Rules of Origin, various issues in trade in goods (MFN clause, infant industry clause, export taxes etc.), the non-execution clause (which links the EPA to the Cotonou Agreement and the essential elements foreseen therein) and the scope and coverage of the agreement.

The comprehensive EPA is expected to basically cover the same areas as the interim EPA plus development co-operation provisions, a fisheries chapter, social, labour and environmental issues and competition provisions. Negotiations also continue on the inclusion of areas like Intellectual Property Rights and tax governance.

With regard to services, the PACP States propose a "rendez-vous" clause aiming at future negotiations, a non-discrimination (MFN) provision and a confirmation by PACP WTO members of their multilateral commitments. The EU is in favour of a flexible approach where PACP countries ready and willing to take services commitments could do so already at this stage while the EU would offer a tailor-made package of concessions that should help development.

For further information, please visit:

<http://ec.europa.eu/trade/wider-agenda/development/economic-partnerships/negotiations-and-agreements/#pacific>