



PACIFIC ISLANDS FORUM SECRETARIAT

*Excelling Together for the People of the Pacific*

# Qualification Criteria and Levels of Preferences in the Interim Economic Partnership Agreement (iEPA):

**Technical Workshop on International Merchandise Trade Statistics:  
*Focusing on goods traded under the preferential trade agreements***

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# iEPA State of Play: Key Points

- Trade between most of the Pacific States and the EU is very limited. The PACP share of EU trade is just 0.06 % (2014).
- PACP States' most important export products to the EU are palm oil, copper, sugar, coconut (copra) and fish.
- Given expiry of the trade provisions in Cotonou on 31 December 2007, two Pacific ACP countries with significant exports to the EU - Papua New Guinea (PNG) and Fiji - agreed an interim EPA with the EU in late 2007;
  - The iEPA was signed by Parties in latter half of 2009;
  - Provisional application of agreement for PNG started 20 December 2009;
  - Fiji notified provisional application of the agreement July 2014;
  - European Parliament approved agreement 19 February 2011;
  - National Parliament of Papua New Guinea ratified it on 25 May 2011.

## cont....

- EU-PACP Comprehensive EPA (CEPA) negotiations lasted longer than expected. Negotiations were suspended in March 2015.
  - Pending conclusion of CEPA, iEPA/EPA maintains and improves PNG's and Fiji's preferences in the EU market main exports and ensures they benefit from improved Rules of Origin for key products like canned tuna.
- The **LDCs** of Kiribati, **Samoa\***, Solomon Islands, Tuvalu and Vanuatu all benefit from the Everything But Arms (EBA)-offers duty free and quota free access to the EU. \*Samoa graduation from LDC hence EBA  iEPA;
- 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 (GSP) since 1 January 2008.
- **Summary:** Non-IEPA/EPA PACP States can access EU market via other EU unilateral trade preferences (EBA, GSP) – as above.
- **To-date:** Fiji and PNG-traditional IEPA/EPA parties. Solomon Islands and Samoa have indicated their interest in acceding to the Interim EPA.

# Main features of the iEPA 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 Phytosanitary** (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).

## cont.....

- The **iEPA/EPA** emphasises cooperation at national level to maximise synergy between development co-operation agreement's objectives;
- The **iEPA/EPA** also contains other following clauses:
  - Food Security
  - Relationship between iEPA, Cotonou Agreement and WTO
  - Dispute Settlement Mechanism
  - Institutional provisions; and
  - General and Final Provisions.

# Preferences for IEPA Parties

## Liberalisation Commitments\*

- All imports from PNG and Fiji (except arms and ammunition) enjoy duty-free and quota-free access to the EU;
  - **Compliance ROO, SPS and TBT measures is a MUST**
- **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.**

*\* The respective liberalisation commitments of the parties are set out in the IEPA annexes.*

# Qualification Criteria/Provisions

- Flexible Rules of Origin:
  - Combining both Change in Tariff Heading (CTH) and product specific Value addition thresholds;
  - Flexible RoO for fisheries-*allowing global sourcing of fish\* - see next slide.*
- To meet IEPA RoO criteria, product materials must be:
  - Wholly obtained/sourced from IEPA party
  - Value addition on imported products in accordance with product specific thresholds.
- *The applicable Rules of Origin are set out in the iEPA annexes. There is also an annex on mutual administrative assistance in customs matters.*



# Qualification Criteria / Provisions

- \*iEPA/EPA contains special ROO provisions for fishery products exempting Fiji and PNG (so far) from use of originating fish for manufacturing of processed and preserved fishery products, as would normally be required by the EU's standard rules of origin ("global sourcing").
  - This is to support development of onshore processing capacity for fish (mainly tuna) in the Pacific States, create local employment (in particular for women) and income.
  - It takes into account the specific circumstances of the Pacific region:
    - limited fishing capacity of the Pacific States' fishing fleet,
    - limited supply of wholly-obtained fish to meet on-land demand,
    - limited on-land processing capacity, and
    - low risk of destabilising EU markets due to large inflows of fishery products from the Pacific States.
- These provisions operate within the frame of conservation and management measures established by the Regional Fisheries Management Organisations (RFMOs) 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.

# PRACTICAL EXAMPLES: iEPA and PACER Plus ROO

- PSRs is used in the EPA agreement with the European Union.
- These rules are much more complex and restrictive. Examples:

Product Specific	EPA	P+ (agreed rules)
0304 - Fish fillets and other fish meat, fresh, chilled or frozen	Manufacture in which the value of any materials of Chapter 3 used does not exceed 15 % of the ex-works price of the product	CTH
1902 - pasta	Manufacture in which: – all cereals and derivatives (except durum wheat and its derivatives) used must be wholly obtained; – all the materials of Chapters 2 and 3 used must be wholly obtained [meat and fish]	CC or RVC (40)
2106 – food preparations	Manufacture in which: – all the materials used are classified within a heading other than that of the product; – the value of any materials of Chapter 17 [sugar] used does not exceed 30 % of the ex-works price of the product	CTSH or RVC (40)
61 / 62 - garments	<i>Manufacture from yarn, or from fabric, but with limitations</i>	CC or RVC (40)

# Margin of Preference: Fresh and Processed Tuna

	Tariffs		Preferential Tariffs			
	WTO Bound	MFN Applied	iEPA/EPA	EBA (for LDCs)	GSP	GSP+
<b>Tuna: fresh (0304)</b>	18%	18%	0%	0%	9.25	0%
<b>Tuna: Processed (1604)</b>	24%	24%	0%	0%	21%	0%

# Summary: IEPA Benefits and Challenges

## Benefits

- Flexible RoO for fisheries-*beneficial FICs with productive capacities*.
- Unlimited access to EU market.

## Challenges

- IEPA covers a few FICs. Access to the EU market thru other EU unilateral preferences (EBA, GSP) is unpredictable.
- BREXIT creates further uncertainty for the IEPA.
  - Most FICs export to EU market, go to UK. Will UK negotiate IEPA replacement or maintain IEPA in its current form?
  - **However**: In June 2017, UK announced continuity of EBA into UK for 48 LDCs; British H.C in Suva thereafter issued press release, clarifying Pacific LDCs (Kiribati, Solomons, Tuvalu and Vanuatu) to continue DFQF access to UK, post-Brexit.