



## EU-Pacific States Economic Partnership Agreement (EPA)

### Creating opportunities for EU and Pacific businesses

#### 1. Introduction

The EU-Pacific Economic Partnership Agreement (EPA) is a regional agreement between the EU and any Pacific country that wants to join it.

**Papua New Guinea (PNG)** and **Fiji** have been provisionally applying the EPA since 2009 and 2014, respectively. Their exports to the EU represent the vast majority of exports to the EU from the 14 countries<sup>1</sup> in the region. **Samoa** and the **Solomon Islands** have been provisionally applying the EPA since 2018 and 2020 respectively. In 2018, **Tonga** informed the European Commission that it wished to join the EPA.

#### 2. Opportunities created by the EPA for EU and Pacific exporters and investors



#### 3. Opening up Pacific States' markets to EU exports (tariff liberalisation schedule)

The EPA is a development-oriented free-trade agreement that provides **duty-free, quota-free** access for the four EPA Pacific countries' exports to the EU. For their part, the EPA Pacific countries are progressively reducing their tariffs on EU imports to zero. How much each of the four Pacific EPA

<sup>1</sup> The other 12 countries are: the Cook Islands, Kiribati, the Marshall Islands, Micronesia, Nauru, Niue, Palau, Samoa, the Solomon Islands, Tonga, Tuvalu and Vanuatu

partners opens up its market to EU exports depends on their level of development and their sensitive sectors:

- PNG has liberalised 88% of EU imports since 2008.
- Fiji is liberalising 87% of EU exports over 15 years.
- Samoa will liberalise 80% of EU exports over 20 years.
- Solomon Islands will liberalise 83% of EU exports over 18 years.

Timetables for cutting tariffs <sup>2</sup> provide all details for EU exports to the four Pacific countries. The following tables provide a snapshot of the timetables for the most important EU exports by value:

PNG's timetable for cutting tariffs on selected EU exports EU (by value in 2019)				
Product	Product	EU exports (€m)	Base rate	Liberalised
841199	Parts of gas turbines	17.7	0%	Yes
870120	Road tractors for semi-trailers	4.4	0%	Yes
843840	Brewery machinery	3.6	0%	Yes
300490	Medicines consisting of mixed or unmixed products for therapeutic or prophylactic purposes	3.3	0%	Yes
890190	Vessels for the transport of goods and vessels for the transport of both persons and goods	3.2	0%	Yes
870410	Dumpers for off-highway use	3.1	0%	Yes
880330	Parts of aeroplanes or helicopters (excl. those for gliders)	2.9	0%	Yes
300220	Vaccines for human medicine	2.7	0%	Yes
840999	Parts suitable for use solely or principally with compression-ignition internal combustion piston engine	1.9	0%	Yes
870510	Crane lorries (excl. breakdown lorries)	1.8	0%	Yes

Samoa's timetable for cutting tariffs on selected EU exports (by value in 2019)				
Product	Product	EU exports (€m)	Base rate	Liberalisation
854470	Optical fibre cables made-up of individually sheathed fibres	1.5	8%	2029
390110	Polyethylene with a specific gravity of <0.94, in primary forms	0.96	8%	2029
300490	Medicines consisting of mixed or unmixed products for therapeutic or prophylactic purposes	0.46	0%	2024
271320	Petroleum bitumen	0.45	8%	2029
330499	Beauty or make-up preparations	0.32	20%	2034
843840	Brewery machinery	0.23	8%	2034
390810	Polyamides-6, -11, -12, -6.6, -6.9, -6.10 or -6.12 in primary forms	0.17	8%	2029
843890	Parts of machinery for the industrial preparation or manufacture of food or drink	0.15	8%	2029

\* 70% CIF plus \$7 per kg or \$60 per 1,000 sticks whichever is higher

Solomon Islands' timetable for cutting tariffs on selected EU exports EU (by value in 2019)					
Product	Product	EU exports (€m)	Base rate	Start of Liberalisation	End of liberalisation
854470	Optical fibre cables made-up of individually sheathed fibres	5.5	10%	2025	2037
851762	Machines for the reception, conversion and transmission or regeneration of voice, images or other data	3	10%	2025	2037
300220	Vaccines for human medicine	2.7	5%	2025	2025

<sup>2</sup> For Fiji and PNG & for Samoa

For Fiji, the market access commitment has not yet been updated in Harmonized System version 2017 but will be on the DG TRADE website once it is in place.

852349	Optical media for the recording of sound or of other phenomena	0.67	10%	2025	2034
850440	Static converters	0.45	10%	2025	2037
360500	Matches	0.32	10%	2025	2037
110710	Malt	0.1	10%	2025	2037
853590	Electrical apparatus for switching or protecting electrical circuits	0.3	10%	2025	2034
880330	Parts of aeroplanes or helicopters	0.26	10%	2025	2025
490700	Unused postage, revenue or similar stamps of current or new issue in the country	0.17	5%	2025	2034

To protect certain sensitive industries in the Pacific and to maintain tax revenues, Pacific countries will not remove import duties on a number of **agricultural and non-agricultural processed goods** including:

- PNG: processed meats (current duty at 0%), potatoes (15%)
- Solomon Islands: sacks and bags (10%)
- Samoa: pine and spruce wood (8%) and tobacco (70%)

#### 4. Supporting Pacific countries' economic and sustainable development

The EPA's main objective is to promote **sustainable development and reduce poverty** in Pacific countries. The following play an important role in this:

- duty-free, quota-free market access to the EU is very important for Pacific countries' exports potential
- removing tariffs on intermediary goods and machinery from the EU means cheaper inputs for Pacific countries and support to both industrial development and the countries' integration into global value chains.
- under the EPA, Pacific countries can protect their agriculture, emerging and infant industries by:
  - not lowering tariffs on certain products
  - using safeguard measure to block a sudden surge in imports if needed.
  - taking additional measures to protect food security

In addition, several EU **development cooperation** programmes in Pacific countries are linked to the EPA. They aim to facilitate tax and customs reforms, improve the business environment and improve Pacific countries' competitiveness.

Current **development cooperation programmes** to support Pacific countries' development include:

- capacity-building to help producers and farmers meet EU standards through the *Fit for Market programme* (€20 million) launched in 2016
- trade-related assistance in PNG has supported institutional and policy reforms, supplied equipment and provided technical assistance and capacity building to key businesses and government institutions
- sector analysis for key PNG products and economic sectors
- preparing EU-PNG Business and Investment Conferences (the first was in 20 June 2019).

## 5. The EU-Pacific countries EPA in a regional perspective

**Regional negotiations for a comprehensive EPA** with the 14 Pacific countries were suspended in 2016, mainly due to lack of progress and prospects especially on sustainable fisheries management and the withdrawal of the regional powerhouse PNG from the negotiations. Widening the existing EPA to include other Pacific countries and extending its scope to other areas of the economy is now the preferred way forward.

The EPA between the EU and Pacific countries:

- strengthens our trade relations with the Pacific countries
- enables the Parties to monitor impact and discuss this with all stakeholders
- signals the advantages of an EPA to the region

## 6. EU-Pacific countries bilateral trade in figures

- In 2019, the EU was Fiji's 2<sup>nd</sup> main trade partner (6% of the total of exports and 16% of the total of imports), behind Singapore.
- Despite of a big drop in 2019 of EU exports to the Pacific (mainly due to a sharp fall in exports of vessels and tankers), the EU has had a positive trade balance with the Pacific countries since 2013.

### Top EU exports to Pacific States include:

- vessels and tankers
- aircraft
- mineral oil
- machinery and mechanical appliances
- electrical machinery and equipment
- optical equipment
- medical or surgical instruments
- certain chemicals

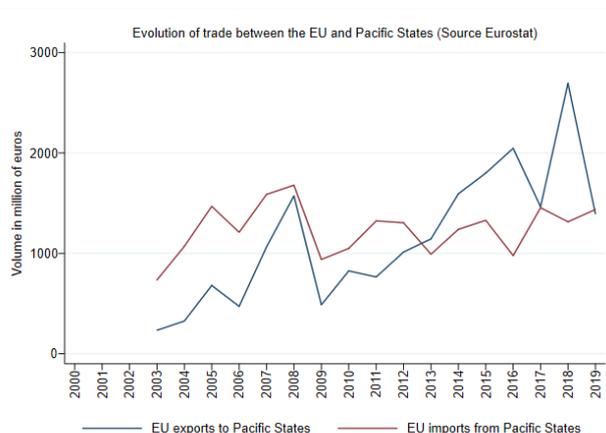
Some of these exports are crucial for local industry, which uses them as production inputs, or for developing transport services.

### Main EU markets for Pacific states' exports:

- The Netherlands
- Denmark
- Germany
- Italy

### EU foreign direct investment in 2018:

- PNG
  - €1.5 billion, with new outward investments of €52 million
  - Foreign direct investment remains tied to sectors such as:
    - mining and petroleum
    - construction
    - manufacturing
    - wholesale and retail
  - Investment in fish processing sectors (factories and other facilities) has greatly increased the volume of production with capacity at 2,000 metric tons of fish per day



- In 2018, a new investment project in liquid natural gas (LNG) was announced, led by the French company Total. An agreement was signed in April 2019 with total investment of around €13 billion.
- Fiji
  - €138 million, with outward foreign direct investment flows of €9 million
  - Strong French foreign direct investment in:
    - banking
    - retail services
    - fuel supply
    - distribution

**7. EPA Success Stories**

**PAPUA NEW GUINEA Onshore fish processing creates job opportunities for women**



Under the Pacific EPA’s rules of origin, Papua New Guinea has obtained a derogation for ‘global sourcing’, meaning Papua New Guinea can source fish from third-country vessels and then process. It takes into account the Pacific countries’ own limited fishing capacity and promotes the development of an onshore processing capacity to create local jobs, skills transfer and income. At the same time, strong monitoring provisions ensure long-term sustainability of fish stocks.

Since the conclusion of the EPA, there have been five major onshore investment projects in Papua New Guinea, leading to an increase in direct and indirect employment, mainly for women. By 2014, Papua New Guinea had reported 50,000 extra jobs in tuna canning, 90 % of them held by women. Exports of processed tuna to the EU have increased by almost 300 % since 2009. They reached €163 million in 2018, accounting for 18.5 % of Papua New Guinea’s total exports to the EU that year.

**8. Need more information?**

 <p style="text-align: center;"><b>Access2Markets</b></p> <p>Portal covering all EU countries and more than 120 export markets around the world. Technical information on tariffs, rules of origin, taxes, product requirements, customs procedures and more. <a href="https://trade.ec.europa.eu/access-to-markets/">trade.ec.europa.eu/access-to-markets/</a></p>	 <p style="text-align: center;"><b>EBO-WWN</b></p> <p>European Business Organisation Worldwide Network</p> <p>Active in 35 key markets, including Asia-Pacific (New Zealand, Australia, Indonesia, Singapore, and Philippines, among others) <a href="https://www.ebowwn.com/">https://www.ebowwn.com/</a></p>	 <p style="text-align: center;"><b>European Enterprise Network (EEN)</b></p> <p>Network to advise and support SMEs with international ambitions.</p> <p>Active in more than 60 countries worldwide <a href="https://een.ec.europa.eu/">https://een.ec.europa.eu/</a></p>
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[DG TRADE and Pacific countries’ website](#)  
[Free Trade Agreement Implementation Report](#)