



GSP duties Kenya would have to pay on its exports to the EU if the regional EAC EPA is not ratified

Jacques Berthelot (jacques.berthelot4@wanadoo.fr), September 2, 2014

The Chief negotiators of the East African Community (EAC) failed to agree with the EU Commission' Representatives on the regional Economic Partnership Agreement (EPA) on 24 July in Kigali.

Is it really reasonable for the EAC to conclude at all costs this regional free-trade agreement with an EU partner which does not care really about the long-term social and economic welfare of the EAC, particularly for its four LDCs – Burundi, Rwanda, Tanzania and Uganda – which will only suffer if the EPA is signed as they will no longer be able to tax 80% of their imports from the EU, not to speak of the other constraints that the EU will impose of the EAC policy space? Among them there is the EU dumping of its agricultural exports to EAC, one of the issue for which an agreement could not be found in Kigali. Even if the EU dumping of its exports of cereals, dairy products, meats and cotton to Kenya was limited to €19.5 million in 2013 – as against €184.8 Million for SADC – the EAC Chief negotiators were certainly conscious that this was mainly due to the rather high EAC tariffs on these products in comparison with the much lower SADC tariffs so that the danger will become considerable once the EAC tariffs eliminated on 80% of its imports from the EU¹.

Indeed the claim by the Kenya Flower Council that there would be a disaster for the Kenyan economy and the two million producers of cut flowers is overestimated.

According to a Kenya Flower Council's calculation of 22 August 2014, the GSP duties that the Kenyan exporters of cut flowers, fresh vegetables, fresh fruits, nuts, processed vegetables and processed fruits would have to pay to the EU on their exports would amount to Ksh12.965 billion² or €111.5 million at the exchange rate of 116.2358 Ksh to the euro on 2 September 2014. But this calculation is largely overestimated, at least when based on the actual Kenyan exports to the EU in 2013.

Following the analysis made of the GSP duties that the exporters to the EU of Ivory Coast, Ghana and Nigeria would have to pay if the West Africa EPA is not ratified³, the present paper focuses on Kenya. And the present analysis is more accurate as we have checked all the EU imports from Kenya in 2013, tariff line by tariff line at the 8 or 10 digits level, for all chapters 01 to 99 of the Harmonised System nomenclature of trade, together with the TARIC data base for imports from GSP countries.

All EU imports from Kenya at the EU CIF prices amounted to €1.135 billion in 2013, of which €977 million of agricultural and fish products (chapters 1 to 24) and €158 million of

¹ *The EU subsidies to its exports of cereals, meats, dairy products and cotton to EAC and SADC in 2013*, Solidarité, September 1st 2014, <http://www.solidarite.asso.fr/Papers-2014>

² <http://www.kenyaflowercouncil.org/blog/?p=5630>

³ *GSP duties Ivory Coast, Ghana and Nigeria would have to pay on their exports to the EU if the regional EPA is not ratified*, Solidarité, August 16, 2014, <http://www.solidarite.asso.fr/Papers-2014>

mainly non-agricultural products of chapters 25 to 99 (where there are some agricultural products, namely rubber in chapter 40, hides and skins in chapter 41 and cotton in chapter 52). And the duties that Kenya would have had to pay under the GSP regime would have been of €61.785 million of which €61.278 million on agricultural and fish products (chapters 1-24) and €507,825 on all the other products (chapters 25 to 99).

More precisely, for the products mentioned in the KFC's calculations, covered by chapters 6 (live trees and other plants, of which cut flowers), 7 (vegetables), 8 (fruits and nuts) and 20 (processed fruits and vegetables), the Kenyan exports have reached 186,893 tonnes for €821.044 million and would have paid €44.333 million under the GSP regime, an average tariff rate of 5.40%). This represents only 40% of the €111.5 million advanced by the KFC.

Table 1 – EU imports of Kenyan agricultural products of the HS chapters 6,7, 8 and 20 in 2013

	Chapter 6	Of which: cut flowers	Chapter 7 vegetables	Chapter 8: fresh fruits	of which: nuts	Chapt 20: processed F&V	Sub-total
Tonnes	96520	94194	48008.6	14220	32.3	76153	186893
Euros	407814530	361269006	152634084	26940575	165318	233654799	821043988
GSP duties	29254911	29076824	14683555	375053	0	19884	44333403
Average rate	7.17%	8.05%	9.62%	1.39%	0%	14.57%	5.40%

Source: Eurostat and TARIC

Tables 2 and 3 present the EU imports of Kenyan products at the EU CIF prices in 2013 and the duties that exporters would have had to pay if they were made at the GSP tariff rates. They represent at the same time the future duties they would have to pay for the same volume and prices of products if the regional EPA is not ratified.

Table 2 – EU GSP duties on agricultural imports and fish from Kenya in 2013

Euros	Kenya		
	EU imports	GSP duties	Average duty rate
HS chapters			
01 (live animals)	813905	0	0%
02 (meats)	0	0	0%
03 (fish)	16076790	770917	4.80%
04 (dairy and eggs)	0	0	0%
05 (prod.animal orig)	24119	0	0%
06 (plants, flowers)	407814530	29254911	7.17%
07 (vegetables)	152634084	14683555	9.62%
08 (fruits)	26940575	375053	1.39%
09 (coffee, tea)	233654799	19884	0.009%
10 (cereals)	110429	11	0.001%
11 (milling products)	5347	270	5.05%
12 (oilseeds)	24589096	55	#0%
13 (lacs, gums, resins)	1456417	5	#0%
14 (plaiting material)	1844	0	0%
15 (fats)	1388006	56104	4.04%
16 (fish preparations)	12880614	2640526	20.50%
17 (sugar)	0	0	0%
18 (cocoa)	1499121	208655	13.92%
19 (cereal preparat°)	138765	6778	4.88%
20 (processed F&V)	88472765	12893143	14.57%
21 (edible preparat°)	2396998	772	0.03%
22 (beverages)	355750	253	0.07%
23 (waste, feedstuff)	0	0	0%
24 (tobacco)	5633999	367108	6.52%
Total	976887953	61278000	6.27%
Chapters 25-99	158218146	507825	0.32%
All products	1135106099	61785825	5.44%

Source: Eurostat and TARIC

Table 2 – EU GSP duties on non agricultural imports from Kenya in 2013

Euros	Kenya		
	Exports	GSP duties	Average duty rate
25	15258796	0	0
26	381313	0	0
27	86292	0	0
28	193	0	0
29	12218	351	2,87%
30	95546	0	0
31	0	0	0
32	1724635	0	0
33	679079	0	0
34	7433	0	0
35	0	0	0
36	0	0	0
37	23316	0	0
38	287618	0	0
39	588623	421	0,07%
40 (rubber)	188497	27	0,01%
41 (hides and skins)	37513889	160408	0,43%
42	543047	1200	0,22%
43	0	0	0
44	372263	0	0
45	0	0	0
46	106995	227	0,21%
47	10628	0	0
48	85463	0	0
49	155485	0	0
50	0	0	0
51	399384	0	0
52 (cotton)	27474	1198	4,36%
53	2222143	1	#0%
54	59448	3805	6,40%
55	32621	1723	5,28%
56	4945	315	6,37%
57	123	4	3,25%
58	2275	112	4,92%
59	11081	491	4,43%
60	41548	2659	6,40%
61	1117721	111504	9,98%
62	1090149	105759	9,70%
63	617386	54727	8,86%
64	442002	38798	8,78%
65	10420	0	0
66	0	0	0
67	4605	0	0
68	876191	0	0
69	161191	2481	1,54%
70	55291	779	1,41%
71	2777730	0	0
72	416825	0	0
73	102620	0	0
74	3824464	0	0
75	0	0	0
76	1117258	20479	1,83%
78	202000	0	0
79	67710	0	0
80	7	0	0

81	129913	0	0
82	572962	1	#0%
83	114681	0	0
84	63878184	0	0
85	3907441	0	0
86	0	0	0
87	239516	4	#0%
88	828143	0	0
89	25200	0	0
90	3832349	240	#0%
91	25525	2	0%
92	15232	0	0
93	361	10	2,77%
94	117877	0	0
95	6464903	99	#0%
96	116298	0	0
97	461293	0	0
99	3682327	0	0
Sub-total	158218146	507825	0.32%

Source: Eurostat and TARIC

The EU lies when claiming that the EPA will consolidate the EAC (and other ACPs regions) competitiveness on the EU market

According to a source from the European institutions, not yet in the public domain, the EU offer of tariff reductions on its imports from the USA in the TTIP (Transatlantic Trade and Investment Partnership agreement) negotiations will be a huge threat to the ACPs competitiveness once the EU tariffs eliminated on its imports from the USA. Indeed, the only sensitive products for which the EU did not make an immediate offer of liberalization to US exports concern some food products (most meats and preparations, dairy, sugar, cereals) which represent only 4% of its tariff lines for 0.6% of all its imports value from the USA. But almost all the EU tariffs on the Kenyan exports will be fully eliminated upon entry into force of the TTIP, and the latest liberalization will occur 7 years after the entry into force. All fish products and preparations, all cut flowers, all fresh legumes exported by Kenya (namely fresh peas, beans, aubergines, piments), and fresh fruits (advocados), pineapple juice, coffee, tea, tobacco, hides and skins will be immediately liberalized upon entry into force of the TTIP. The processed vegetables (beans) and fruits (pineapples) will be liberalized after 3 years. All the textile and apparel products will also be fully liberalized from the start.

Clearly the USA cannot compete with many EAC products but some can, of which fish filets, textile products but likely also many vegetable products. The EAC and the other ACPs having ratified EPAs will have to continue to open indefinitely their markets to 80% of EU exports without any tariff advantage over the US exports to the EU. But they will lose a lot of tariff revenues on their imports, not only from the EU but likely also from other trade partners which might demand the same concessions from the EAC. They will be the fall guys.