



The Eastern Africa-EU EPA would liberalize 75.7% of EU exports to EAC

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The EU has exported in 2015 to the Eastern Africa Community (EAC) €3.955 billion of goods – of which €2.175 billion to Kenya and €1.800 billion to the 4 LDCs (Burundi, Rwanda, Tanzania and Uganda) –, of which €433 million of agricultural products and €3.522 billion of non agricultural products (including fish).

Given the EAC tariff offer to the EU for the EAC-EU EPA (Economic Partnership Agreement), it appears that, if the EPA had been totally liberalized already in 2015, the rate of liberalization in value terms would have been of 75.7% – of which 72.5% for Kenya and 79.7% for the 4 LDCs – because 83.8% of EU exports of non agricultural products to EAC would be liberalized, of which 81.8% for Kenya and 86.3% for the 4 LDCs. It seems paradoxical that the LDCs would have to liberalize a significantly higher proportion of their imports in general and of non agricultural products in particular than Kenya, which is the most competitive country.

In terms of tariff lines (TL) at 8 digits level of the Harmonised System (HS) of products classification for international trade, the EAC-EU EPA agreement has foreseen that 4006 TL or 73.7% of the total 5438 TL would be liberalized and 1432 TL or 26.3% would be excluded. However actually in 2015 EU exports to EAC have only covered 3568 TL, of which 2513 (70.4%) were liberalized and 1055 TL (29.6%) were excluded. For agricultural products 294 TL were actually excluded in 2015 or 68% of the 432 agricultural exported TL, implying that 761 non agricultural products were actually excluded or 24.3% of EU exports of non agricultural products.

Table 1 summarizes the values of EU exports to EAC in 2015 and the amounts of liberalization in the EPA, distinguishing between Kenya and the 4 LDCs and between agricultural products and non agricultural products. Table 2 gives the details by HS chapters.

Table 1 – EU total and excluded exports to EAC in the EAC-EU EPA in 2015, in euros

Euros	Kenya			EAC			4 LDCs		
	Total exports	Excluded	%excluded	Total exports	Excluded	%excluded	Total exports	Excluded	%excluded
Total	2174735580	597275968	27,5	3955336338	962766184	24,3	1800115677	365429235	20,3
Agr products	278078785	252120733	90,7	433432631	391939946	90,4	155353846	139758232	90
Non ag produit	1896656795	345155235	18,2	3521903707	570826238	16,2	1644761831	225671003	13,7
Ag prod/total	12,8%	42,2%	329,7%	11%	40,7%	370%	8,6%	38,2%	443%
Non ag prod/to	87,2%	57,8%	66,3%	89%	59,3%	66,6%	91,4%	61,8%	67,7%

Although the EU exports of non agricultural products to EAC have accounted for 89% of its total exports – of which 87.2% for Kenya and 91.4% for the 4 LDCs –, they have represented only 59.3% of the total excluded exports – of which 57.8% for Kenya and 61.8% for the 4 LDCs – whereas agricultural exports which represented 11% of total exports have accounted for 40.7% of the excluded products, of which 42.2% for Kenya and 38.2% for the 4 LDCs.

Let us comment separately the liberalization of agricultural products¹ and non-agricultural products.

I – The liberalization of the agricultural products in the EAC-EU EPA

In the EAC there is a three-band common external tariff (CET) of 0% for raw materials, capital goods, agricultural inputs, certain medicines and certain medical equipment, of 10% for intermediate goods and other essential industrial inputs, and of 25% for finished products. However "sensitive products" can reach much higher levels.

Contrary to the West Africa (WA)-EU EPA where 56.3% of EU exports would be liberalized at the end of the liberalization process, in year T+20 (2035 if the EPA had been implemented in 2015) on the basis of EU exports of 2015, the Eastern Africa (EAC)-EU EPA would exclude 90.4% of EU agricultural exports from liberalization in year T+25 (2040 if the EPA were implemented in 2015), based on the EU FOB exports of 2015: €392 million on a total of €433. The percentages would be of 90.7% for Kenya – €252 million on a total of €278 million – and of 90% for the four LDCs (Burundi, Rwanda, Tanzania and Uganda): €140 million on a total of €155 million.

Many agricultural chapters are entirely excluded from liberalization: dairy (chapter 04, with many tariff lines at 60% duties, eggs and honey being transferred to meats); sugar and sugar confectionery (chapter 17, with many tariff lines at 100% duties); preparations of cereals (chapter 19); miscellaneous edible preparations (Chapter 21); beverages (chapter 22).

Many chapters are excluded above 90%: coffee, tea, spices (chapter 09, at 99.9%); preparations of vegetable and fruit products (chapter 20, at 99.9%); vegetable plaiting materials (chapter 14, at 98.8%); products of the milling industry (Chapter 11, at 98.1%); cereals (chapter 10, at 96.2%); preparations of meat, of fish or of crustaceans (Chapter 16, at 91.4%).

We must however underline the absurd exemption of soft wheat from the exclusion list, which will be put to zero upon the entry into force of the agreement. This is totally absurd for the following reasons:

- Although Kenya is importing about twice its production level to satisfy its consumption need of 900,000 tonnes – the production reached 420,000 tonnes in 2015 –, it has the potential to become self-sufficient². Uganda, Rwanda and Burundi avail also of a good production potential, a little less for Tanzania.

- The main constraint is the low level of import protection. Before the spike in world prices of 2007-08 Kenya applied the COMESA CET (Common external tariff) of 35%, which was successively reduced to 25%, then to 10% in 2010, before being totally eliminated in the EAC CET of 2012. Then in January 2015 the so-called "stay period" – having allowed each EAC countries to waive the application of the CET for items such as sugar, wheat, maize, and rice according to its own needs – ended and the soft wheat duty returned to 10%: "*The CET*

¹ This builds on the previous analysis made for the agricultural products only: *The Eastern Africa-EU EPA would only liberalize 9.6% of EU agricultural exports*, SOL, May 30, 2016.

² <http://blueandgreentomorrow.com/features/innovation-and-modernization-unlock-kenyas-agricultural-potential/>; <http://www.standardmedia.co.ke/article/2000168120/narok-governor-wants-import-duty-for-wheat-raised>; http://www.the-star.co.ke/news/2016/01/07/eldoret-wheat-farmers-want-tax-barrier-to-stop-cheap-imports_c1270851; <http://repository.cimmyt.org/xmlui/bitstream/handle/10883/4015/97365.pdf>

*rates on the sensitive products will however continue to be substantially higher than the 25 per cent maximum rate for non-sensitive products. In this case, rice will continue attracting a CET of 75 per cent in Uganda, Tanzania and 35 per cent in Kenya; wheat will attract between 60 and 35 per cent CET in both countries and sugar 100 per cent*³. But durum wheat is taxed at 60% and is the only cereal excluded from liberalization in the EPA.

- However, in the present context of highly volatile world prices, the only means to stabilize the prices of cereals at a remunerative level for producers is to use variable levies instead of fixed ad valorem duties. This was in fact done in Kenya which applied variable levies on wheat in 2000 for an ad valorem equivalent of about 50%. J. Berthelot has explained in details why and how variable levies should be used in his book "How to regulate agricultural prices" which can be downloaded from SOL's website (<http://www.sol-asso.fr/articles-de-2013/>). It is the English version of his book "Réguler les prix agricoles" published in 2013.

The only important EU exports not excluded at all concern oilseeds (chapter 12).

The result is that the EU subsidies on its exports of agricultural products to EAC are much lower than to WA and to SADC which has also lower import duties than EAC. In 2013 the EU subsidies on its exports of cereals, dairy meat and eggs to EAC were of €19.5 million – of which €17.4 million on cereals, €1.024 million on dairy and €0.479 million on meats and eggs – against €185 million to SADC – of which €73 million on cereals, €16.2 million on dairy and €90.4 million on meats and eggs – and €414 million to WA, of which €174 million on cereals, €68 million on dairy and €172 million on meats and eggs. The EU subsidies on dairy and meats are essentially the decoupled domestic subsidies granted to animal feed consumed by these products. Incidentally the idea to implement a free trade area between the three regional economic communities (RECs) of Eastern Africa (COMESA, EAC and SADC) would be highly detrimental to EAC farmers and agro-industries.

II – The liberalization of the non agricultural products in the EAC-EU EPA

The EAC has totally liberalized 31 chapters of non agricultural products, which accounted for 29.7% of the EU non agricultural exports to EAC in 2015.

On the other hand 9 chapters are excluded by more than 90%, of which 6 concern textiles and apparel (chapters 52, 57, 58, 61, 62, 63), shoes (chapter 64), leather products (chapter 42) and furniture (chapter 94). If we remember that 90.4% of EU exports of agricultural products would be excluded we see that EAC has chosen to protect efficiently its basic human needs which are also intensive in jobs: food, apparel and furniture.

However the fact that EAC has been able to exclude from liberalization in the EPA these basic needs is not a plea to sign and implement the EPA, far from it. Because we cannot underestimate the other constraints attached to the EPA, which are almost the same that in the WA-EU EPA, among which:

- Standstill clause preventing to raise the import duties above their applied level at the date of implementation.
- Interdiction to raise export taxes without the EU consent.

³ <http://www.harbour-maritime.com/eac-window-for-duty-free-imports-now-closes.html>

- MFN clause constraining EAC to grant to the EU the same additional market access concluded between EAC States and other major economies.
- Lower agricultural safeguards than those available to the EU.
- Prohibition of quantitative restrictions.
- National treatment on internal taxation.
- Rendez-vous clause to extend the EPA liberalization beyond the trade in goods to: Services; Competition policy; Investment and private sector development; Trade, environment and sustainable development; Intellectual property rights; Transparency in public procurement; and any other areas that the Parties would find necessary.

Table 2 – EU total and excluded exports to EAC in the EAC-EU EPA in 2015, in euros

HS Chapter	Kenya			EAC			The 4 LDCs		
	Total export	Excluded	%excluded	Total export	Excluded	%excluded	Total export	Excluded	%excluded
01	1613090	1090184	67,6	5177207	4543286	87,8	3564117	3453102	96,9
02 +egg+honey	2531653	1988463	78,5	3479535	2816948	81	947882	828485	87,4
03	4854032	5549	0,1	5324922	74922	1,4	470890	69373	14,7
04 (dairy only)	4439091	4439088	#100	9672633	9672629	#100	5233542	5233541	#100
05	409767	0	0	473121	0	0	63354	0	0
06	3839487	30929	0,8	4516106	95287	2,1	676619	64361	9,5
07	3521105	3049077	86,6	4037363	3440298	85,2	516258	391221	75,8
08	917471	626060	68,2	998393	671179	67,2	80922	45119	55,8
09	267733	267733	100	605968	605239	99,9	338235	337506	99,8
10	130804681	127238900	97,3	175394757	168673903	96,2	44590076	41435003	92,9
11	767439	394238	51,4	19831079	19453663	98,1	19063640	19059425	#100
12	6915969	0	0	11531404	0	0	4615435	0	0
13	1325540	0	0	3316790	0	0	1991250	0	0
14	10193	9939	97,5	20393	20139	98,8	10200	10200	100
15	2331122	810211	34,8	3969850	1027362	25,9	1638728	217151	13,3
16	550504	540552	98,2	1083437	990419	91,4	532933	449867	84,4
17	1786990	1469244	82,2	4160145	4160141	#100	2373155	2373156	100
18	3269705	2374251	72,6	4582317	3633851	79,3	1312612	1259600	96
19	3717992	3717992	100	49791091	49791091	100	12611099	12611099	100
20	6419138	6415302	99,9	17128177	17116058	99,9	10709039	10707513	#100
21	29400484	29400484	100	45009382	45009382	100	15608898	15608898	100
22	33491539	33491540	100	58698827	58698837	100	25207288	25207297	100
23	4792605	1129413	23,6	7659052	1138532	14,9	2866447	259119	9
24	210698	174298	82,7	437734	365572	83,5	227036	191274	84,2
01-24	281650028	252125447	89,5	436899683	391998738	89,7	155249655	139812310	90,1
Fish& prepar	4943004	5549	0,1	5736589	74922	1,3	793585	69373	8,7
Agr intra 01-24	276707024	252119898	91,1	431163094	391923816	90,9	154456070	139742937	90,5
Agr extra 01-24	1371761	835	0,07	2269537	16130	0,7	897776	15295	1,7
Total agricultur	278078785	252120733	90,7	433432631	391939946	90,4	155353846	139758232	90
25	1437487	490349	15,2	2417551	932517	16,2	980064	442168	45,2
26	1231845	0	0	1418237	0	0	186392	0	0
27	13051774	41152	0,03	154081522	128073	0,08	23563748	86921	0,4
28	3645153	783	0,02	6903007	5742	0,08	3257854	4959	0,2
29	22537895	0	0	36682029	0	0	14144134	0	0
30	147410437	72276	0,05	476446731	145979	0,03	329036294	73703	0,02
31	15839767	0	0	29871454	0	0	14031687	0	0
32	16254748	4723442	29,1	23700162	7170776	30,3	7445414	2447334	32,9
33	44800488	11723182	26,2	88599125	18028935	20,3	43798637	6305753	14,4
34	8886920	5790669	65,2	14313964	9961772	69,6	5427044	4171103	76,9
35	7223943	1788809	24,8	10706009	2327676	21,7	3482066	538867	15,5
36	22207	2075	9,3	157461	2900	1,8	135254	825	0,6
37	3862933	0	0	5959664	0	0	2096731	0	0
38	99877320	0	0	146081304	0	0	46203984	0	0
39	59693498	24659292	41,3	111037033	40327033	36,3	51343535	15728920	30,6
40	14007136	5192614	37,1	28108804	9167893	32,6	14101668	3975279	28,2
41	46518	0	0	46518	0	0	0	0	0
42	1053191	1021149	97	1777464	1740531	97,9	724273	719382	99,3
43	645	0	0	645	0	0	0	0	0
44	2938129	2657891	90,5	4378161	3851431	81,7	1440032	1193540	82,9
45	8075	8074	#100	37729	10479	27,8	29654	2405	8,1
46	3561	456	12,8	6196	549	8,9	2635	93	3,5
47	83040	0	0	256228	0	0	173188	0	0
48	74110555	50045232	67,5	103782087	65324250	62,9	29671532	15329982	51,7
49	15352446	538641	3,5	58607614	883390	1,5	43255168	344749	0,8
50	3095	0	0	9741	0	0	6646	0	0
51	45043	0	0	50133	0	0	5090	0	0

52	140258	92917	66,2	899384	835789	92,9	759126	759121	#100
53	84825	0	0	141962	0	0	57137	0	0
54	674711	465542	69	762719	498357	65,3	88008	33815	38,4
55	4001998	109304	2,7	5401445	579589	10,7	1399447	469520	33,6
56	1397910	886629	63,4	1922872	1197776	62,3	524962	311147	59,3
57	911323	768703	84,4	1808166	1642354	90,8	896843	873651	97,4
58	296217	293164	99	654461	636514	97,3	358244	344099	96,1
59	1374343	0	0	2760863	0	0	1386520	0	0
60	202463	0	0	221116	0	0	18653	0	0
61	1592578	1550507	97,4	2673086	2629879	98,4	1080508	1079372	99,9
62	2436714	2436712	#100	4165747	4165748	100	1729036	1729036	98,3
63	49018991	48753487	99,5	84927855	84498442	99,5	35908864	35744955	99,5
64	2105949	2043601	97	3065033	2979644	97,2	959084	936043	97,6
65	169498	0	0	482527	0	0	313029	0	0
66	68326	57257	83,8	139436	117730	84,4	71110	60473	85
67	77974	0	0	165659	0	0	87685	0	0
68	3907153	1884259	48,2	11560510	8869555	76,7	7653357	6985296	91,3
69	8517623	7873907	92,4	18858389	16924961	89,7	10340766	9051054	87,5
70	5489573	3515131	64	8696263	5313987	61,1	3206690	1798856	56,1
71	1274934	0	0	7121448	0	0	5846514	0	0
72	9896797	319267	3,2	13169934	362223	2,8	3273137	42956	1,3
73	42374525	15979060	37,7	69940281	31689175	45,3	27565756	15710115	57
74	2491206	0	0	3391179	0	0	899973	0	0
75	342731	0	0	363212	0	0	20481	0	0
76	8306569	3090873	37,2	13697985	4379020	32	5391416	1288147	23,9
78	1139165	0	0	16313444	0	0	15174279	0	0
79	889141	0	0	2737551	0	0	1848410	0	0
80	143019	0	0	250110	0	0	107091	0	0
81	236137	0	0	508731	0	0	272594	0	0
82	9078195	1303186	14,4	20099961	1970458	9,8	11021766	667272	6,1
83	7364680	4886788	66,4	10013744	5827466	58,2	2649064	940678	35,5
84	420188045	0	0	786086721	0	0	365898676	0	0
85	180800575	6738834	3,7	378949016	13461079	3,6	198148441	6722245	3,4
86	2550623	0	0	5431303	0	0	2880680	0	0
87	275507751	104918604	51,1	432453902	173990444	40,2	156946151	69076554	44
88	52517659	0	0	104162602	0	0	51644943	0	0
89	6866740	0	0	8913453	0	0	2046713	0	0
90	64742417	143067	0,2	124168938	179484	0,1	59426521	36417	0,6
91	486275	0	0	802247	0	0	315972	0	0
92	565087	0	0	712906	0	0	147819	0	0
93	783099	0	0	4138934	0	0	3355835	0	0
94	37866736	22852816	60,4	36252909	36252909	94,1	17901089	13400093	74,9
95	5377849	0	0	8114876	0	0	2737027	0	0
96	7710053	5430820	70,4	15349790	11754937	76,6	7639737	6324117	82,8
97	223268	0	0	547412	0	0	324144	0	0
25-97	1893085552	345150521	18,2	3518436655	570767446	16,2	1644866022	225616925	13,8
Total 01-97	2174735580	597275968	27,5	3955336338	962766184	24,3	1800115677	365429235	20,3
Agr products	278078785	252120733	90,7	433432631	391939946	90,4	155353846	139758232	90
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Non ag prod/to	87,2%	57,8%	66,3%	89%	59,3%	66,6%	91,4%	61,8%	67,7%