

Optimizing Strategic Partnerships In Regional Markets

Experience of East African Community (EAC)

By

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EAC Regional Integration Process

- 30th November 1999 – Treaty Establishing EAC signed
 - ✓ Treaty identified Customs Union as entry point followed by Common Market; Monetary Union; and Political Federation
 - ✓ 1st Jan 2005 - Customs Union commenced following Protocol negotiations, with a 5 years transition period
 - ✓ 1st July 2009 – Rwanda and Burundi joined EAC CU
- 1st January 2010 – EAC Fully Fledged Customs Union
- 1st July 2010 – EAC Common Market Commenced
 - ✓ To be implemented in a phased manner upto 2015
 - ✓ Incorporates the four freedoms; free trade in goods; and services and free movement of labour; and Capital

Features of the EAC Customs Union

- Internal Tariff dismantling
 - Based on Principle of asymmetry
 - Progressive reduction to Zero tariff in 5 years
- Common tariff for goods from outside the Community
 - 3 band tariff structure; 0%; 10%; and 25%
 - Sensitive list of goods (additional Protection)
 - Simplified trade regime
 - Increased competitiveness
 - Production focused
- Common Customs Management Act
 - Differentiated functions for Secretariat and Customs Authorities
 - Common valuation system for imports
 - Common Exemption Schedules

Main Results

- Intra-regional trade has grown in a win-win situation though remains low at 13% of volume of total EAC trade
- Public Revenues have increased contrary to earlier fears
- EAC has become more attractive as an investment destination
- EAC negotiating as a bloc has been strengthened (EPA with EU)

Growth in Intra EAC trade (US Dollars)

Years	2004	2005	2006	2007	2009*
Uganda	547.53	696.22	583.01	805.89	
Tanzania	302.53	337.77	411.75	368.13	
Kenya	857.18	1038.07	821.74	1144.19	
Rwanda	143.76	133.95	176.41	247.03	
Burundi	59.07	62.9	64.67	91.4	
Total EAC	1910.07	2268.91	2057.58	2656.64	3500

* = provisional

Challenges

- Non Tariff Barriers – voluntary and involuntary
- Low level of awareness on what EAC is implementing, benefits and opportunities
- Sovereignty issues – slow change in orientation from national to regional
- Multiple membership in regional blocs

Addressing Challenges

1. EAC Competition Act

- EAC Competition Act 2006, to take care of anti-competition cross border issues such as monopolistic abuse, cross border mergers and acquisition, consumer protection etc.
- Currently draft regulations and rules of procedures have been prepared and awaits finalization
- Partner States at different levels in terms of competition institutions and laws.
- EAC comprehensive programme of action including setting up the competition authority

Addressing Challenges (Continued...)

2. EAC SQMT Act 2006

- The Act aims at facilitating International Trade, industrialization, environment and Health protection
- over 1000 standards harmonized as EAC standards.
- The awareness of EAC Standards is low
- Mutual recognition of health certificates and quality marks
- EAC working together with COMESA and SADC to come up with harmonized standards – to facilitate trade

Addressing Challenges (Continued...)

3. EAC-EU Economic Partnership Agreement

- EAC initialed a Framework EPA with EU on 27th November 2007.
- Issues being considered are: market access; Rules of origin; Economic and Development cooperation; Trade in services; SPS and TBT; Customs and trade facilitation; Agriculture and fisheries.
- Several studies have been conducted (trade in services, development, rules of origin) to guide negotiations
- Conclusion of negotiations on Comprehensive EPA targeted before end of 2010

Addressing Challenges (Continued...)

4. EAC-NORAD-UNIDO PROJECT

A NORAD funded UNIDO Project is being coordinated by EAC to enhance capacity of agro industries to participate in international trade through the following -:

- Enhancing the capacity of enterprises to produce according to international market requirements. Activities involve:
 - ✓ Updating and harmonization of regulations to be in line with international requirements
 - ✓ Setting up centers of excellence in production and safety of agro products
 - ✓ Training and exposure to best international practices



Addressing Challenges (Continued...)

4. EAC NORAD - UNIDO PROJECT (continued....)

- Strengthening export oriented support services through:
 - ✓ Equipping and accrediting of laboratories
 - ✓ Auditing and certification to ISO 22000 requirements
 - ✓ Technology transfer

So far the following has been done:

- ✓ Training of industry personnel on implementation of international requirements
- ✓ Assessment of laboratory needs for upgrading.

Addressing Challenges (continued...)

5. SMEs Program

ANNUAL EAC JUA KALI/NGUVU KAZI EXHIBITIONS

- This is an informal Sector support programme involving holding of annual exhibitions on rotational basis in EAC Partner States (since 1999)
- During Exhibitions a one day symposium is held covering topics addressing issues pertinent to SME sector development
- The exhibitions are opened by the host Head of State in order to:
 - ✓ give them prominence and
 - ✓ Facilitate mainstreaming of SMEs activities within national economic policies

Addressing Challenges (continued...)

6. Joint Export Promotion

- EAC is undertaking export promotion activities guided by export and investment promotion strategy.
- EAC is planning to undertake AGOA related activities jointly .
- EAC is also planning to undertake jointly trade fairs and deeper market searches including competitiveness (supply side) issue in order to assist the smaller exports to take advantage of markets in developed countries.

Addressing Challenges (continued...)

7. Tripartite Framework

- EAC is working closely with COMESA and SADC to establish a FTA given the multiple membership problem.
- In October 2008 a Summit was held in Kampala Uganda which came up with bold decisions including working toward single FTA, infrastructure issue etc.
- A study is being undertaken to guide the single FTA
- A north South Corridor (infrastructure) meeting under Aid for Trade was held in Lusaka 6-7 April to raise funds for the pilot corridor.

Concluding Remarks

- Customs Union implemented on course
- NTB issues are being handled with vigour
- Interests in EAC affairs especially implementation of Customs Union and Common Market attracting a lot of enthusiasm
- EAC Customs union success provided an important launching pad for common market and deeper integration