

EXPERIENCE OF EAC ON INTRA TRADE

*Mr. James S. Kuleiye
Customs/Trade Officer*

East African Community Secretariat, Arusha, Tanzania

EAST AFRICAN COMMUNITY

- The EAC Treaty:
 - The Treaty for the Establishment of the East African Community, was signed on 30 November 1999 and came into force on 7 July 2000, with membership being: United Republic of Tanzania, Republic of Kenya and Republic of Uganda
 - The Broad objective of the Community shall be to develop policies aimed at widening and deepening cooperation among Partner States in the political economic, social research and technology, defence, security and legal and judicial affairs, for the their mutual

CUSTOMS UNION

- Under Article 5(2) of the Treaty for the Establishment of the East African Community, “the Partner States undertook to establish among themselves a Customs Union, a Common Market and subsequently a monetary Union and ultimately a Political Federation”. Therefore the Customs Union was to be the entry point into the Community and integration process

Continue...

- According to Article 75(7), “the Partner States shall within a period of four(4) years conclude the Protocol on the establishment of a Custom Union”
- Negotiations commenced in January 2000 culminating in the signing by Head of States on 2nd March, 2004.
- Implementation of the Customs Union become effective on 01 January 2005

Within a Customs Union:Continue...

- Customs duties and other charges of equivalent effect imposed on imports shall be eliminated
- Non Tariff barriers (NTB'S) to trade among Partner States shall be removed
- A common external tariff (CET) in respect of all goods imported into Partners States from foreign countries shall be established and maintained

Objectives Of Customs Union:...

- Further liberalise intra-regional trade in goods on the basis of mutually trade arrangements among Partners States
- Enhance domestic, cross border and foreign investment in the Community

Under The Customs Union:

- **Goods to and from Uganda and Tanzania shall be duty free**
- **Goods from Uganda and Tanzania into Kenya shall be duty free**
- **Specific Goods from Kenya into Uganda and Tanzania shall attract duty under the programm of elimination of internal tariff for five years**

Intra-Trade in the EAC

- The intra trade in the EAC is still very low, though there is encouraging sign that it will grow with time due to EAC Customs Union and other factors such as improved infrastructure and level of investment.
- Tables below shows EAC Partner States :
 - a) Intra trade trend for the years 1999-2000,
 - b) Origin of imports for the year 2003 and
 - c) Share intra trade in their total imports 2001-2003 (%)

EAC Intra Trade 1999-2000 (Mil. USD)

Year	KE to UG	UG to KE	KE to TZ	TZ to KE	UG to TZ	TZ to UG
1999	290.5	4.4	188.8	20.3	6.4	11.5
2000	307.5	6.6	141.1	11.9	5.5	8.8
2001	382.2	8.7	172.0	7.4	6.7	6.7
2002	405.5	8.6	184.1	10.4	5.8	7.5

Origin Of EAC Imports 2003

Million USD

Imports From	Kenya	Tanzania	Uganda
EAC	28.6	82.8	368.1
Kenya	-	80.2	357.3
Tanzania	18.2	-	10.8
Uganda	10.3	2.6	-
World Total	3,475.0	1,798.1	1,375.1

Share of EAC Partner States Intra –EAC Imports in the total Imports 2001/03 (%)

Year	Kenya	Tanzania	Uganda	EAC
2001	4.9	28.6
2002	0.6	5.0	29.8	7.3
2003	0.8	4.6	26.9	7.2
Average	0.7	4.8	28.4	7.3

Continue:

The tables shows:

- a huge imbalance between the Partner States intra trade mainly due to economic structures
- Modest level of Intra EAC trade as only 7.3% of EAC total imports consist of imports from within EAC region
- Uganda sources a significant 28% share of its world imports from EAC, 97% from Kenya, in fact Uganda's imports from Kenya account for less than 77% of the total intra EAC Trade!

Continue:

- Tanzania holds an intermediate position sourcing a 4.8% share of its world imports from within EAC, of which 97% from Kenya
- Kenya is by far the least dependent on imports from the two, it source merely 0.7% of its world imports from within EAC of which 2/3 from Tanzania and 1/3 Uganda
- A principle of asymmetry is expected to address the imbalance (gradual elimination of internal tariff)

Major Constraints

- Inadequate infrastructures
- Inadequate Trade Facilitation i.e. bureaucracy,
- Internal Trade policy of the Partner States
- Lack of adequate information on availability of products within EAC
- Non Tariff Barriers (NTB's), i.e. *standards, administrative.*
- Homogeneous Products



Thank you your attention