

REPORT OF THE MEETING OF THE EAC TRIPARTITE TECHNICAL WORKING GROUP ON TARIFF LIBERALISATION TO PREPARE EAC TARIFF OFFERS FOR THE COMESA-EAC-SADC TRIPARTITE FREE TRADE AREA NEGOTIATIONS HELD FROM 12TH TO 16TH JUNE 2013, ROCA GOLF HOTEL, BUJUMBURA, BURUNDI

1. Introduction

The Meeting of the EAC Tripartite Technical Working Group on Tariff Liberalisation to prepare East African Community (EAC) Tariff Offers for the COMESA-EAC-SADC Tripartite Free Trade Area (FTA) negotiations was convened pursuant to the decision of the EAC Preparatory Meeting for the 5th Tripartite Committee of senior Officials (TCSO) which directed the Secretariat to initiate the process of preparing the EAC Market Liberalization offer to the COMESA-EAC-SADC Tripartite FTA to be approved by Sectoral Council on Trade, Industry, Finance and Investment (SCTIFI).

The meeting was attended by Experts from all the EAC Partner States and officials from the EAC Secretariat and East African Business Council (EABC).

2. Preparation of EAC Tariff offers for the COMESA-EAC-SADC Tripartite FTA Negotiations.

The meeting prepared three EAC Tariff offers for the COMESA-EAC-SADC Tripartite FTA Negotiations as follows;

- 2.1 EAC Offers to COMESA Free Trade Area (FTA) Member Countries. (Comoros, Djibouti, Egypt, Libya, Madagascar, Malawi, Mauritius, Seychelles, Sudan, Zambia and Zimbabwe).
- 2.2 EAC Tariff Offers to Southern African Customs Union (SACU) Member Countries.(Botswana, Lesotho, Namibia, Swaziland and South Africa).
- 2.3 EAC Tariff Offers to Non-FTA Member Countries.(Angola, Eritrea, Ethiopia, Mozambique and DR. Congo).

3. EAC Offers to COMESA FTA Member Countries

The meeting prepared EAC offer to COMESA FTA member countries based on the following criteria:

- ⇒ Countries that are already fully liberalised should maintain the existing tariff lines. Countries without FTA arrangement will need to harmonize their rates with other EAC Partner States over a predefined time frame;
- ⇒ Tanzania will apply non-preferential rates on selected tariff lines on imports from Egypt, Libya, Madagascar, Sudan and Djibouti over a five year period;
- ⇒ The period for the phase down of the sensitive products to both FTA and Non-FTA Members Countries will be 5 years;

⇒ For tariff lines with specific and ad valorem rates, whichever is higher shall apply and tariff phase down at the rate of 20% cut per year for the five years;

⇒ There will be three schedules on tariff liberalisation to the FTA Member Countries;

- 1st Schedule which will contain 0% tariff rate to be applied in the first year for all EAC Partner States comprising non-sensitive products.
- 2nd Schedule will include sensitive products which are common to all the EAC Partner States, which will be liberalized progressively at the rate of 20% per year for a period of five years
- 3rd Schedule, which will contain the additional sensitive list provided by Tanzania, the liberalisation schedule shall follow a phase down arrangement of 25% in the first year, 20% in the second year, 15% in the third year, 10% in the fourth year and subsequently 0% in the fifth year. And products with tariff line of 10% shall follow a 20% cut per year starting in the second year of liberalisation.

4. EAC Tariff Offers to Southern African Customs Union (SACU) Member Countries .

The meeting considered the EAC tariff offer to SACU and developed the criteria in selection of the tariff lines for liberalisation. The total offer is 100%, of which 63% of tariff lines will be for immediate liberalisation and 37% of tariff lines to be liberalized and further negotiated.

The selection was based on two approaches in accordance to the above broad division;

4.1 In the first instance: 63% of Tariff lines which have been considered for immediate liberalization.

⇒ Tariff lines with 0% rate (37.1% of the EAC CET) constitute 37% of the 63% tariff lines to undergo liberalisation with immediate effect of the TFTA;

⇒ Tariff lines with 10% rate (21.4% of the EAC CET) which account for 19% of the tariff lines considered for immediate liberalisation; and

⇒ Tariff lines with 25% rate (40.3% of the EAC CET) which constitutes 7% of tariff lines considered for immediate liberalisation to make up 63%.

4.2 In the second instance: Total of 37% or 1996 tariff lines to be liberalized and further negotiated with SACU. Of which 24.4% of Tariff lines for phase down, 11.4% of Tariff lines for negotiations and 1.2% as EAC Sensitive items. These 1996 tariff lines include products rates at 10% and 25%, as well as sensitive products.

⇒ A total of 1317 tariff lines which account for 24.4% of the EAC CET have been identified for progressive liberalization at a constant rate of 12.5% per year for a period of 8 years.

⇒ A total of 615 tariff lines which accounts for 11.4% of the EAC CET have been identified for further negotiations;

⇒ The sensitive items constituting approximately 1.2% of tariff lines have not been considered for liberalisation subject to the negotiations;

4.3 Flexibility for EAC Partner States

- ⇒ Partner States to have flexibility to increase the number of tariff lines identified for further negotiation up from 11.4% to a maximum of 15%.
- ⇒ Partner States to have the flexibility to reduce the 63% tariff lines identified for immediate liberalization to 60% prior to submission of the offer.

5. EAC Tariff Offers to Non-FTA Member Countries: Angola, Eritrea, Ethiopia, Mozambique and DR. Congo

The meeting agreed that the EAC will make an equivalent offers to the Non-FTA member countries commensurate with those granted to FTA member countries. However, this is subject to the principle of reciprocity.

- ⇒ The period for gradual harmonisation of the phase down for the Non-FTA member countries will be 5 years.
- ⇒ For tariff lines with specific and ad valorem rates, whichever is higher shall apply and tariff phase down will follow the same rate of 20% cut per year for the five years.
- ⇒ There will be two schedules on tariff liberalisation to the Non-FTA member countries;
 - 1st Schedule which will provide 0% tariff rate to be applied in the first year for Non-FTA member countries.
 - 2nd Schedule to include sensitive products which are common to all the EAC Partner States, which will be liberalized progressively at rate of 20% per year for a period of five years with possible exclusions (products which may be permanently excluded).

6. Presentation by the Sugar Sector in the EAC region

The meeting discussed the presentation made by EAC sugar industry players and agreed as follows;

- ⇒ The sugar industries need to justify to the EAC Partner States why there is need for protection, the kind of protection and strategies they have in place to ensure that they will be able to meet the sugar needs of the market within the EAC region.
- ⇒ The meeting observed that there was no need for a special Technical working Group (TWG) to be constituted on sugar.
- ⇒ The sugar industries should analyse the various FTA agreements in place and examine how sugar was treated in these FTAs.
- ⇒ The meeting recalled the SCTIFI directive to the Secretariat to expedite the comprehensive study and strategy on the sugar industry in EAC by December 2013.

7. The meeting agreed on the following

- ⇒ Partner States to undertake national consultations and provide comments on the EAC tariff offers by 31st July 2013.
- ⇒ The Secretariat to convene the 2nd Regional Meeting of the EAC Working Group on Tariff Liberalisation in August, 2013 to finalise the EAC Tariff Offer.
- ⇒ Meeting of EAC Sectoral Committee on Trade to be convened in August 2013 to consider the EAC tariff offer.
- ⇒ The EAC tariff offer for the COMESA-EAC-SADC Tripartite Free Trade Area (FTA) negotiations to be presented to the EAC Policy Organs for consideration.

Attached please find three EAC Offers for COMESA Free Trade Area (FTA) Member Countries, Southern African Customs Union (SACU) Member Countries and Non-FTA member Countries for your reference.