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Globalization and Trade

Background info

Trade within and between nations plays a major role in economic development, creating employment opportunities and generating wealth. Trade also enhances global peace since nations have to rely on each other for supply of commodities, services and technologies that cannot be internally produced. Recent trends in global trade show that trade balance is increasingly tilting in the favor of developed countries. The developed countries, mostly in western Europe and Northern America, but also in Asia, are gaining an advantage due to their heavy investments in new advanced technologies, stronger negotiating abilities but also due to their ability to influence the setting up of rules and regulations that govern trade between nations, more so those that are enforced through the World Trade Organization or through multilateral and bilateral agreements. Quite often trade negotiations have been protracted to the extent of being acrimonious with stakeholders split between those for or against potential compromises. This page will provide links to information resources on the issue of trade, its impact on society and the pursuit of fairness in international trade engagements.

1. Economic Partnership Agreement (EPA) between the East African Community (EAC) and the European Community (EC) and its member states. This link provides information on the framework for an EPA between EAC & EC states as published in a Kenyan local daily (*The Daily Nation*) on December 10, 2007.
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AGREEMENT ESTABLISHING A FRAMEWORK FOR AN ECONOMIC PARTNERSHIP AGREEMENT BETWEEN THE EAST AFRICAN COMMUNITY PARTNER STATES AND THE EUROPEAN COMMUNITY AND ITS MEMBER STATES

*(As published in a Kenyan local daily (*The Daily Nation*) on December 10, 2007)*

1. The EAC partner states and the European Community initiated a text of the Framework Agreement for the EAC-EU Economic partnership Agreement on 27th November 2007 in Kampala, Uganda.
2. The Framework Agreement was initiated pursuant to the decision of the Summit of the EAC Heads of State in Kampala on 14th April 2002 that EAC negotiates as a bloc with the European Union and the World Trade Organization.
3. The Framework Agreement was initiated by the EAC Party comprising of Ministers responsible for Trade of Tanzania, Uganda and Rwanda, Ambassadors of Kenya and Burundi in the Republic of Uganda, the EAC Deputy Secretary General and the Head of Delegation of the European Commission in Uganda as the EC party.
4. The Framework Agreement, which is to come into force on 1st January 2008, sets out co-operation between EAC and EU in areas of:-
 - a. Trade in goods
 - b. Development, and
 - c. Fisheries

LIBERALIZATION OF TARIFFS ON EAC PRODUCTS IMPORTED INTO EU

5. Upon coming into force of the Framework Agreement on 1st January 2008, the Customs duties on all products from EAC partner States to the European Union shall be eliminated except Arms and Ammunition which will be accorded Most Favored Nation status (MFN) duties.
6. Customs duties on Rice entering EU shall be eliminated from 1st January 2010 while duties on Rice in the husk shall be eliminated from the entry into force of the agreement.
7. Sugar imports from EAC to EU shall be subject to the Sugar Protocol until 30th September 2009.
8. EU shall not charge Customs duties on Cane and Beet sugar from EAC from 1st October 2009.
9. There shall be a tariff rate quota of zero on 15,000 tonnes of Cane Sugar under HS 1701 11 10, White Sugar equivalent, in 2008/09 from EAC.
10. EU may impose duties under Most Favored Nation status treatment on Sugar after October 2007 up to 30th September 2015 if imported in excess of specific levels expressed in White Sugar equivalent, which are deemed to cause a disturbance in the EU sugar market.

LIBERALIZATION OF TARIFFS ON EU PRODUCTS IMPORTED INTO EAC

11. Customs duties on 64% of products comprising raw materials and capital goods (includes zero rated goods in the EAC Common External Tariff-CET) originating from EU to EAC shall be eliminated on 1st January 2010.
12. Customs duties on 16% of products comprising intermediate and essential goods shall be phased down over a period of 15 years where in the first seven years the Customs duties shall remain at the current rate in the EAC CET and thereafter reduction shall commence progressively at 10% per year from 2015 up to 2023 when the rates will reach zero.
13. Customs duties on 2% of products comprising finished goods shall be phased down in a period of 25 years commencing with the first reduction in 2020 up to 2033.
14. Customs duties on 18% of products comprising sensitive goods shall apply at the Most Favored nation status rates when imported from EU to EAC (Note that these rates apply to similar products from third countries other than EU).

ADMINISTRATION OF THE AGREEMENT

15. The Framework Agreement shall apply in the interim period of one and half years during which a comprehensive EPA covering the following areas of cooperation will be negotiated by EAC and EU: customs and trade facilitation; market access; trade in services; trade related issues; agriculture; sanitary and phytosanitary measures; economic and development cooperation; and other areas as deemed necessary.
16. The Rules of Origin, as provisionally agreed by the two parties, shall apply to goods traded between the two parties in the interim period of one and half years.

- Further simplification of the Rules of Origin shall be undertaken during the negotiations of the comprehensive EPA.
17. The European Community and EAC partner states reaffirmed their recognition of development needs of EAC region and commitment to ensure that EPA is a tool of development.
 18. EU confirmed that it will contribute towards the resources required for development under the 10th EDF Regional Indicative Programme, Aid for Trade and the EU budget.
 19. The Framework Agreement will come into force on 1st January 2008 and will be replaced by a comprehensive EPA between EAC and EU after one and half years.
 20. A formal text of the Framework Agreement shall be available to the public after all the refinements and all the necessary processes have been finalized by the EAC and EU parties.

East African Community Secretariat
P.O. Box 1096
Arusha, Tanzania
10th December 2007.