

Trade Barriers Between European Union and East African Countries

Dr. John Yabs

Senior Lecturer, School of Business, University of Nairobi. O. Box 53944-00200, Nairobi

Dr. James Yabs

Lecturer, School of Business and Management Sciences, University of Eldoret. P.O. Box 1125– 30100, Eldoret, Kenya

Abstract

Negotiations on Trade and investment between European Union (EU) and East African (EAC) Countries has been going on since the Lomé Conventions between 1975 and 2000. Initiatives to reduce certain trade and investment barriers have been going on between the two parties after the Cotonou Convention of 2000. This later resulted in Economic Partnership Agreement (EPA) that has been going on since 2008. Despite these continuous negotiations, there still remain substantial trade and investment barriers instituted by both EU and EAC countries. Efforts to reduce these trade and investment barriers are still continuing because of realization that reduction of these artificial barriers will be good for everyone. This study was conducted between 2010 and 2015 with two objectives in mind: one, was to determine the barriers that are still in place despite many years of negotiations to reduce them; and two, to find out how these trade and investment barriers could be reduced if not eliminated altogether. The results of the study indicated that individual EAC countries are in different stages in signing and ratifying EPA Agreement. It was also clear that negotiations between the two parties will in the near future produce the desired results.

Key words: trade and investment barriers; investment relationships; reduction of barriers; negotiating forum.

1. Introduction

Trade barriers have been used by sovereign nations to protect their domestic economies or to restrict consumption of certain goods or services. Trade barriers have also been used by governments as a policy tool in international business and political relations. These taxes can take the form of tariff or nontariff protection measures. Collectively, these governmental taxes imposed on goods and services are used to restrict trade as they increase the price of imported goods and services, making them more expensive to consumers. Sometimes a specific tariff, an ad-valorem, is levied as a fixed fee based on the type of the good or item. At times tariffs are instituted by governments as an additional source of revenue for government and for domestic producers at the expense of consumers and foreign producers.

While economic and social cooperation between European Union (EU) and East African Countries dates back to the years of the Scramble for Africa in 1880s, EU has had a long history of cooperation with east African member states. Cooperation in earnest between the EU and the EAC countries begun after World War II in 1945 that resulted in the formation of European Union. In 1975 the EU and the group of African, Caribbean and Pacific (ACP) countries signed the Lomé I Convention, that established a framework of allowing market entry into EU market for goods and services from ACP countries into EU. The main aim was to request EU member states to allow importation of ACP goods and services duty free to enter into EU market. This was the basis for negotiations in Lomé I-IV. In 2000 EU and ACP states met in Cotonou, Benin to draft a new agreement that would require reciprocity in trade and services, and also conform to the new World Trade Organization (WTO) rule of non-discrimination.

In 2008 the EAC-EU-Economic Partnership Agreement negotiations started and ended in 2014 with a draft Framework EPA (FEPA). This was meant to replace the Cotonou Agreement that lapsed in 2008. But negotiations for the FEPA were complicated by the new international business relations brought about by the conditions of World Trade Organizations, requiring inclusion of reciprocity and non-discrimination of other interested parties in the international trade. The EU-EAC-EPA negotiation dragged on for over 12 years and was conclude in 2014 and is now awaiting the signing, ratification and implementation. The main features of this EU-EAC-EPA was to take into consideration reciprocity requirement, and to accommodate differentiation of economic developmental stages of individual countries The agreement was aslo to conform to World Trade Organization rules of non-discrimination of other countries outside the EU-EAC.

2. Trade barriers between EU-EAC countries

Exports from East African countries to European Union is dominated by coffee, cut flowers, tea, tobacco fish and vegetables. Included is also variety of tropical fruits of bananas, passion, pineapples, avocado and litchi. Imports from EU to EAC is dominated by machinery, transport equipment, mechanical appliances, equipment parts, motor

vehicles and pharmaceutical products. Under the EPA Agreement, there are products that considered sensitive that should be excluded from the general list of products to traded duty free between EU and EAC. EU-EAC countries have agreed to gradually reduce trade barriers under EPA. Trade barriers can constitute tariffs that could be duty or ad-valorem duties, and non-tariff barriers. Non-tariff barriers include import licenses, export licences, import quotas, subsidies, voluntary export restrictions, local content requirements, embargo, currency devaluation, and trade restrictions. Parties in the EU-EAC EPA negotiations have agreed to gradually reduce trade restrictions and to comply with WTO regulations. This means all plans should be directed at reducing trade restrictions and work towards a free trade area.

3. Research problem

Our research started with the premise that reduction of trade barriers in whatever form, will increase trade between countries. The problem of this study was to find out what trade barriers exist in the trade relations between the EU and EAC between 210 and 2015; and to determine possible solutions of reducing these trade barriers within the EU-EAC EPA Agreement framework in order to move towards a free trading area.

4. Literature review

There is a lot of literature and journal articles on the EU and EAC relationship concerning the improvement on trading and investment relationship. Most of them point to the fact that negotiations benefiting the two sides stand a fair chance of being implemented. It is no longer based on the EAC countries wanting to penetrate EU market for their goods, but also includes reciprocal clause of allowing EU goods and services to enter EAC market in the same terms. This is a requirement by the WTO of non-discrimination of other states not members of a regional group. WTO would like to eliminate the “Most Favoured Nation” clause usually used in bilateral agreements and has proposed that in any future trade negotiations there should be no discrimination of countries not in certain geographical group.

5. Methodology

The problem of this study was to find out what trade barriers exist in the trade relations between the EU and EAC between 210 and 2015; and to determine possible solutions of reducing these trade barriers within the EU-EAC EPA Agreement framework in order to move towards a free trading area. How could EU countries and EAC countries engage together in a constructive dialogue to reduce trade and investment barriers, and what are the likely prospects in the near and distant future? In trying to answer these questions and the two objectives, we used a survey methodology and collected secondary data from relevant ministries in EAC counties and from EU representative offices in EAC countries using a structured questionnaire.

6. Data collection and analysis

The data of this study were collected from the ministries concerned with external trade of ministers of international or foreign trade, ministries of commerce and industry and from EU representative offices in EAC member states. Interviews were also conducted form trading organizations dealing with manufacturing and processing of goods destined to WU market. These included interviews with horticultural exporters, cut flower exporters, fruit exporters, and exporters of services to EU. We also interviewed importers from EU and indigenous firm dealing with goods emanating from EU. Because of many years of contact between EAC and EU, there are established and reliable channels of communication and storage of information of trade between EU and EAC. There was also willingness of all we interviewed to give information because there was no much secrecy in the information we were seeking. The data collected was qualitative in nature and was therefore analysed using content analysis.

Table 1: Exports and imports from EAC to EU 2010-2016 (Estimates)

YEAR	EXPORTS FROM EAC TO EU	IMPORTS FROM EAC TO EU	TOTAL
Year	In Mln Euros	In Mln Euros	In Mln Euros
2010	1,930	3,095	5,026
2011	2,333	3,522	5,855
2012	2,207	3,699	5,906
2013	2,173	3,512	5,686
2014	2,286	3,583	5,869
2015	2,614	4,061	6,676
2016 EST	2,415	4,500	6,700

Source: EAC Secretariat, 2016

7. Results and Discussion

Results of the data analysis indicated that there still exist trade barriers instituted by individual member states for various reasons. Some member states of EAC felt that the EU are introducing some non-tariff barriers such as requirements of sanitary and phytosanitary requirements for certain goods and services. They consider this constitute indirect trade barriers. Trade and investment barriers instituted by EAC countries are supposedly to protect their economies, despite the understanding that reducing or removing these barriers will greatly enhance benefits to both EU and EAC countries.

8. Conclusion and recommendation

To eliminate trade barriers and to have a free trade area requires concerted efforts by the member countries to agree on a future sustainable business relations based on the WTO regulations and the agreed EPA between EU and EAC countries. To maintain good trading relations requires the participation of entrepreneurs and governments whether federal or national, as well as state or county governments. As agreed in 2000 at Cotonou and contained in the protocols of Cotonou Agreement, there is need to involve all stakeholders in future trade negotiations. Moreover, the EPA Agreements are open to the former members of ACP-EC conventions and also open to other interested groups of civil societies, non-governmental organizations, and other social groups. If and when all are involved in the EPA, there are good prospects for attaining a free trade area between EU and EAC member states.

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