

Voluntary Report – Voluntary - Public Distribution

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Report Name: East Africa Community Countries Raise Communal Tariffs on Agricultural Products

Country: Kenya

Post: Nairobi

Report Category: Beverages, Dairy and Products, Grain and Feed, Poultry and Products, Tree Nuts

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Report Highlights:

On May 5, 2022, trade and finance ministers from East African Community (EAC) member countries agreed to raise minimum common external tariffs from 25 to 35 percent on several agricultural products. Affected commodities include dairy and meat products, cereals, cotton and textiles, edible oils, beverages, spirits, fruits, and nuts, among others. The tariff increase will enter effect on July 1, 2022, and will apply to exports to Burundi, the Democratic Republic of the Congo, Kenya, Rwanda, Tanzania, and Uganda.

Summary:

On May 5, 2022, trade and finance ministers from East African Community (EAC) member countries (Burundi, the Democratic Republic of the Congo, Kenya, Rwanda, Tanzania, and Uganda) agreed to the adoption of a “fourth band” of minimum common external tariffs (CETs). This fourth band will raise the minimum tariff EAC countries can impose on several agricultural products from 25 to 35 percent. Agricultural imports subject to the higher CET include dairy and meat products, cereals, edible oils, beverages, spirits, fruits, nuts, sugar and confectionery products, cotton, fresh-cut flowers, coffee, tea, and spices. The higher CET will also apply to non-agricultural products including textiles, iron and steel, furniture, leather products, headgear, ceramics, and paint.

EAC member countries currently apply three levels (or “bands”) of minimum CETs depending on whether a product is a raw ingredient, an intermediate good, or a final good with each category subject to a minimum CET of 0, 10, and 25 percent, respectively. EAC countries are generally required to impose tariffs equal to or higher than the CET on imports from outside the EAC. Member countries can request CET exemptions for specific commodities.¹

Importantly, the impact of the higher CET on current applied tariffs is still under assessment. For example, most EAC countries already apply a 25 percent tariff for meat products, so it is likely that these products’ tariffs will increase to 35 percent. On the other hand, existing 60 percent tariffs on dairy products will likely remain as they exceed the new 35 percent minimum CET.

A list of tariffs by EAC member countries for select agricultural products and a press release from the EAC Secretariat describing the CET increase are included as appendixes.

¹ For example, Kenya is exempted from the CET for wheat imports. Kenya allows duty-free imports of wheat through a special program once all domestically produced wheat is contracted for sale. Exemptions from the CET must be periodically renewed with the EAC.

Appendix 1: Current Applied Tariffs of EAC Member Countries on Select Agricultural Products

Item	Kenya	Uganda	Tanzania	Burundi	Rwanda	Democratic Republic of the Congo ²
Dairy Products	<ul style="list-style-type: none"> - 60%, except: - Whey: 25%, butter 30%. 	<ul style="list-style-type: none"> - 60%, except: - Whey: 25%. 	<ul style="list-style-type: none"> - 60%, except: - Whey: 25%, butter: 30%. 	<ul style="list-style-type: none"> - 60%, except: - Whey, butter: 25%. 	<ul style="list-style-type: none"> - 60%, except: - Whey, butter: 25%. 	<ul style="list-style-type: none"> - 5%, except: - Butter, milk, yoghurt: 10%, cheese and curds: 20%.
Meat products	<ul style="list-style-type: none"> - 25%, except: - Poultry meat and edible offal: 30%. 	<ul style="list-style-type: none"> - 60%. 	<ul style="list-style-type: none"> - 35%. 	<ul style="list-style-type: none"> - 25%. 	<ul style="list-style-type: none"> - 25%. 	<ul style="list-style-type: none"> - 20%, except: - Edible offal of bovine animals, swine, sheep, goats, horses, asses, mules, or hinnies, fresh, chilled, or frozen: 10%. - Meat and edible offal of poultry, fresh, chilled, or frozen: 10%. -
Cereals	<ul style="list-style-type: none"> - Hard wheat: 35%, - Corn: 50%, - Rice: 35% or USD 200/MT whichever is higher, - Seeds: (durum wheat, hard wheat, barley, oats: duty-free, corn seed: 25%, sorghum seed: 25%, - Other sorghum: 25%. 	<ul style="list-style-type: none"> - Hard wheat 10%, - Corn 50%, - Rice 75% Or USD 345/MT, whichever is higher, - Seeds: (durum wheat, hard wheat, barley, oats: duty-free, corn seed: 25%, sorghum seed: 25%, - Other sorghum: 25%. 	<ul style="list-style-type: none"> - Hard wheat: 35%, - Corn: 50%, - Rice: 75% or USD 345/MT whichever is higher, - Seeds: (durum wheat, hard wheat, barley, oats: (duty-free), corn seed: 25%, sorghum seed: 25%), - Other sorghum: 25%. 	<ul style="list-style-type: none"> - Hard wheat: 35%, - Corn: 50%, - Rice: (no information available), - Seeds: (durum wheat, hard wheat, barley, oats: duty-free, corn seed: 25%, sorghum seed: 25%, - Barley: 25%, - Other sorghum: 25%. 	<ul style="list-style-type: none"> - Hard wheat: 35%, - Corn: 50%, - Rice: 75% or USD 345/MT whichever is higher, - Seeds: durum wheat, hard wheat, barley, oats: duty-free, corn seed: 25%, sorghum seed: 25%, - Barley: 25%, - Other sorghum: 25%. 	<ul style="list-style-type: none"> - Hard wheat: 5%, - Corn: 5%, - Rice in the husk: 5%, - Brown, broken, and semi milled rice: 10%, - Seeds: (durum wheat, hard wheat, barley, oats, corn seed, sorghum seed: duty-free, - Barley: 10%, - Other sorghum: 10%.

² The Democratic Republic of the Congo joined the EAC on March 29th, 2022. At the time of this report, it has not updated its published tariffs to reflect EAC CETs.

Item	Kenya	Uganda	Tanzania	Burundi	Rwanda	Democratic Republic of the Congo ³
Shelled nuts	<ul style="list-style-type: none"> - 25 %, except: - Other nuts, fresh or dried, whether shelled, peeled, or in shell : 10%. 	<ul style="list-style-type: none"> - 25 %, except: - Other nuts, fresh or dried, whether shelled, peeled, or in shell: 10%. 	<ul style="list-style-type: none"> - 25 %, except: - Other nuts, fresh or dried, whether shelled, peeled, or in shell : 10%. 	<ul style="list-style-type: none"> - 25%. 	<ul style="list-style-type: none"> - 25%. 	<ul style="list-style-type: none"> - 20%.
Wine and spirits	<ul style="list-style-type: none"> - 25 %, except: - Other grape must : 10%. 	<ul style="list-style-type: none"> - 25%, except: - Mineral water and aerated waters: 60%, - Non-alcoholic beer: 60%, - Other grape must: 10%. 	<ul style="list-style-type: none"> - 25 %, except: - Mineral water and aerated waters: 60%, - Other grape must: 10%. 	<ul style="list-style-type: none"> - 25 %, except: - Wine of fresh grapes: 22%, - Other grape must: 10%. 	<ul style="list-style-type: none"> - 25 %, except: - Wine of fresh grapes 22%, - Other grape must: 10%. 	<ul style="list-style-type: none"> - 20% except: - Wine of fresh grapes: 16.7%, - Other grape must: 10%.

³ The Democratic Republic of the Congo joined the EAC on March 29th, 2022. At the time of this report, it has not updated its published tariffs to reflect EAC CETs.

Appendix 2: EAC Press Statement on New CET Band



EAC SECRETARIAT
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PRESS RELEASE

EAC MINISTERS ADOPT 35% AS THE EAC CET 4TH BAND

East African Community Headquarters, Arusha, Tanzania, 6th May 2022: East African Community (EAC) Ministers / Cabinet Secretary in charge of Trade and Finance have adopted 35% as the 4th Band of the EAC Common External Tariff (CET).

The Ministers, during a retreat on the comprehensive review of the CET, held on 5th May 2022, in Mombasa, Kenya, decided that implementation of the reviewed EAC CET shall commence on 1st July, 2022.

The meeting further agreed on flexibility in implementation of the revised CET, particularly on products currently affected by the current global economic realities.

The Chairperson of the EAC Council of Ministers, Hon. Betty Maina, who is also the Cabinet Secretary, Ministry of Trade, Industrialization and Enterprise Development, Kenya, hailed the move, dubbing it beneficial to the promotion of industrialization and in safeguarding consumer welfare on products where the region is net importing.

"The reviewed CET will address the requests for stays of application, which distort the EAC CET," she said.

The meeting further directed EAC Partner States to identify products which are affected by the current global trade disruptions for consideration during the Pre-Budget Consultations meeting scheduled for 9th to 13th May, 2022.

In his remarks, EAC Secretary General Hon. (Dr.) Peter Mathuki, termed this as a positive step towards the promotion of industrial sectors and realization of the benefits of the African Continental Free Trade Area (AfCFTA).

"The move is set to spur intra-regional trade by encouraging local manufacturing, value addition and industrialization," said Dr. Mathuki.

The Secretary General said the CET is one of the key instruments under the Customs Union pillar which justifies regional integration through uniform treatment of goods imported from third parties.

Among the tariff lines in this 4th band include; dairy and meat products, cereals, cotton and textiles, iron and steel, edible oils and beverages & spirits.

In addition; furniture, leather products, fresh-cut flowers, fruits and nuts, sugar and confectionery, coffee, tea and spices, textiles and garments, head gears, ceramic products and paints, among others.

The meeting was informed that the maximum tariff band at 35% was the most appropriate rate, as in the long run, it has the most positive impact to regional growth. They noted that in its application, a welfare loss is expected, but would be cured from generated added employment opportunities from the switch of local production.

The meeting, held in a hybrid format was attended by attended by the respective Ministers and Principal / Permanent Secretaries from the Partner States.

The Republic of Burundi was represented by Hon. Marie Chantal Nijimbere, Minister of Trade, Transport, Industry & Tourism; the United Republic of Tanzania was represented by Hon. (Dr). Mwigulu Lameck Nchemba, Minister of Finance and Planning; the Republic of Uganda was represented by Hon. Francis Mwebesa ; the Republic of Rwanda was represented by Hon. Beata Habyarimana.

In addition, the EAC Deputy Secretary General Eng. Stephen Mlote was in attendance, while the private sector was represented by the Executive Director of the East African Business Council (EABC) Mr. John Bosco Kalisa.

Attachments:

No Attachments.