

POLICY BRIEF ON EAC CUSTOMS UNION

1.0 Background

The Launch of the EAC Customs Union on 31st December 2004 marked the introduction of Common External tariffs and Internal Tariffs for Extra regional imports and intra-regional trade, respectively.

Of common significance to dairy sectors of Kenya, Uganda and Tanzania is introduction of protective CET of 60%. This represents a reduction for Kenya from 63%, an increase for Uganda and Tanzania from 25% and 50% respectively.

Based on the principle of Asymmetry Uganda and Tanzania will charge tariffs on Kenyan exports at rates of 10% and 25% reducing by 2% and 5% every year for 5 years respectively.

1.1 Opportunity

All

- No more non-tariff barriers on EAC imports e.g. import licensing, incase of Kenya; suspended duties for export into Tanzania
- Protective CET of 60%, up from originally proposed 25%

Uganda and Tanzania based processors

- No tariffs payable when exporting to Kenya and to each other

Kenya Based Processors

- Reduced tariff on Uganda bound exports
- Subsequent years reduction in tariffs on Tanzania bound exports

2.0 EAC Customs Union – Common and External Tariff for the products Dairy

2.1 Common External Tariff

Table 1: Common External Tariff milk and milk products

Commodity Description	HS Code	Tariff
Dairy products		
Milk and cream, not concentrated nor containing added sugar or other sweetening matter: HS 0401 (all classified as sensitive)		
- Of a fat content, by weight, not exceeding 1%	0401.10.00	60%
- Of a fat content, by weight, exceeding 1% but not exceeding 6%	0401.20.00	60%
- Of a fat content, by weight, exceeding 6%	0401.30.00	60%
Milk and cream, concentrated or containing added sugar or other sweetening matter: HS0402 (all classified as sensitive)		
- In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5%	0402.10.00	60%
- In powder, granules or other solid forms, of a fat content, by weight, exceeding 1.5% :		60%
- -- Not containing added sugar or other sweetening matter		
--- Specially prepared for infants	0402.21.10	60%
--- Other	0402.21.90	60%
--- Specially prepared for infants	0402.29.10	60%
--- Other	0402.29.90	60%
-- Not containing added sugar or other sweetening matter		60%
--- Specially prepared for infants	0402.91.10	60%
--- Specially prepared for infants	0402.99.10	60%
Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa.	0403	25%
Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included.	0404	25%
Butter and other fats and oils derived from milk; dairy spreads.	0405	25%
Cheese and curd.	0406	25%

Internal Tariff

1. Import duty on Tanzania's and Uganda's Exports to Kenya

With effect from 1st January 2005, all exports of Tanzania and Uganda to Kenya attract zero import duty.

2. Import duty to be applied on Kenya's Exports to Uganda

Products which are subject to import duty, calibrated to reduce to zero over a five year program, effective January 2005

Table 2: Import duty applicable on Kenya's exports to Uganda, with effect from January 1st 2005 (RATES focus products)

HSCODE	Description	YEAR 1 (Jan 1 2005)	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6
Dairy Products							
0401.10.00	Milk and cream, not concentrated nor containing sugar or other sweetening matter, of a fat content, by weight, not exceeding 1%	10%	8%	6%	4%	2%	0%
0401.20.00	Of a fat content, by weight, exceeding 1% but not exceeding 6%	10%	8%	6%	4%	2%	0%
0401.30.00	Of a fat content, by weight, exceeding exceeding 6%	10%	8%	6%	4%	2%	0%
0402.10.00	In powder, granules or other solid forms, of a fat content, weight, not exceeding 1.5%	10%	8%	6%	4%	2%	0%
0402.21.00	Not containing added sugar or other sweetening matter	10%	8%	6%	4%	2%	0%
0402.29.90	Other	10%	8%	6%	4%	2%	0%
0402.91.00	Other, not containing added sugar or sweetening matter	10%	8%	6%	4%	2%	0%
0402.99.00	Other	10%	8%	6%	4%	2%	0%
0403.10.00	Yogurt	10%	8%	6%	4%	2%	0%
0403.90.00	Buttermilk, curdled milk and cream, etc (excl. yogurt)	10%	8%	6%	4%	2%	0%
0404.10.00	Whey and modified whey, whether or not concentrated	10%	8%	6%	4%	2%	0%
0404.90.00	Products consisting of natural milk constituents, nes	10%	8%	6%	4%	2%	0%
0405.10.00	Butter	10%	8%	6%	4%	2%	0%
0405.20.00	Dairy spreads	10%	8%	6%	4%	2%	0%
0405.90.00	Other fats and oils	10%	8%	6%	4%	2%	0%
0406.10.00	Unfermented fresh cheese, and curd	10%	8%	6%	4%	2%	0%
0406.20.00	Grated or powdered cheese	10%	8%	6%	4%	2%	0%
0406.30.00	Processed cheese, not grated or powdered	10%	8%	6%	4%	2%	0%
0406.40.00	Blue-veined cheese	10%	8%	6%	4%	2%	0%
0406.90.00	Cheese, nes	10%	8%	6%	4%	2%	0%

Import duty to be applied on Kenya's Exports to Tanzania, with effect from 1st January 2005

Products which are subject to import duty, calibrated to reduce to zero over a five year program, effective January 2005

Table 3: Import duty applicable on Kenya's exports to Tanzania, with effect from January 1st 2005 (RATES focus products)

HS Code	Description	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Livestock							
Dairy products							
4011000	-Of a fat content, by weight, not exceeding 1%	25%	20%	15%	10%	5%	0%
4012000	-Of a fat content, by weight, exceeding 1% but not exceeding 6%	25%	20%	15%	10%	5%	0%
4013000	-Of a fat content, by weight, exceeding 6%	25%	20%	15%	10%	5%	0%
4021000	-In powder, granules or other solid forms, of a fat content, by weight, not exceeding 15%	25%	20%	15%	10%	5%	0%
4022190	---Other	25%	20%	15%	10%	5%	0%
4022990	---Other	25%	20%	15%	10%	5%	0%
4031000	-Yogurt	25%	20%	15%	10%	5%	0%
4041000	-Whey and modified whey, whether or not concentrated or containing added sugar or other sweetening matter	25%	20%	15%	10%	5%	0%
4049000	-Other	25%	20%	15%	10%	5%	0%
4051010	--Ghee	25%	20%	15%	10%	5%	0%
4051090	--Other	25%	20%	15%	10%	5%	0%
4052000	-Dairy spreads	25%	20%	15%	10%	5%	0%
4059000	-Other	25%	20%	15%	10%	5%	0%
4061000	-Fresh (unripened or uncured) cheese, including whey cheese, and curd	25%	20%	15%	10%	5%	0%
4062000	-Grated or powdered cheese, of all kinds	25%	20%	15%	10%	5%	0%
4063000	-Processed cheese, not grated or powdered	25%	20%	15%	10%	5%	0%
4064000	-Blue-veined cheese	25%	20%	15%	10%	5%	0%

3.0 Way forward

These are probably exciting times for dairy sector in the EAC. It probably goes without saying that all stakeholders, government and private sector players use the 5 year window to bolster competitiveness and build regional alliances and partnerships to secure their long term survival and competitiveness.

As a custom union and later common markets of East Africa; the EAC presents an opportunity to attract hitherto illusive large investors into the dairy sector – local or foreign. Such investors will be attracted by the larger market, existing transnational business operations and reliable raw milk supplies.

EAC region currently lacks some categories of products in terms of variety, quality and quantity. These include; cheeses, butter, milk powder, whey, yoghurts and ice cream and I suggest that processors seek ways to increase capacity, and invest aggressively in product development. If this does not happen, consumers and traders may find reason to lobby against prohibitive CET in the face of scarcity.

CET of 60% should be looked as a temporary advantage that will at some point be revised down wards as EAC engages the rest of the globe in WTO trade negotiations.

QUOTE

**A business has to be involving, it has to be fun,
and it has to exercise your creative instincts.**

::: [Richard Branson](#) :::