

EAC GENEVA FORUM

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PROMOTING WIN-WIN BILATERAL FREE TRADE AGREEMENTS

Perspective from Burundi

Prepared by



**Action Développement et
Intégration Régionale (ADIR)¹**
Rue du Marche, Rohero 1
Bujumbura, Burundi
Tel: 257 222 540 55

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¹ This note is based on views and perceptions of stakeholders, including from the grassroots, in Burundi

ANALYSIS OF CHALLENGES IN THE BTAs BURUNDI IS ENGAGED IN

Agreement between Burundi and the European Union:

Foreign policy and external environment, notably the Regional Cooperation Agreement and the Economic Partnership Agreement:

The Burundi trade policy is coordinated under the Ministry of Commerce, Industry, Posts and Tourism. In March 2006, the updated sector-based strategy was finalized. But till now, the Ministry is preoccupied by specific themes like the suspicious conditions of the marketing of sugar, the privatization of state enterprises, the accession of Burundi traders to Port of Mombasa, etc.

The definition of the Burundi position in terms of foreign trade regime and the EPA negotiation could be useful. In fact, EPA will cause major effects on the economy by reducing external tariffs that are applied, and the potential to protect the national Small Medium Enterprises (SMEs) and Small Medium Industries (SMIs). Note that the European Investment Bank has never intervened in Burundi and it will not do so in the short.

The European Union policy in the field of cooperation to development favors:

- Social and economic sustainable development in developing countries and the most penalized among them;
- Harmonious and progressive insertion of the developing countries in the world economy;
- Poverty alleviation in developing countries;

The programming tool of the 10th European Development Fund (EDF) points out the essential of bilateral agreement that will be insured is on:

- Support to the Good governance,
- Support to the agriculture production

- Support to the sector of health
- Budgetary support²

Agreement between Burundi and USA

Despite the good diplomatic relations between Burundi and USA since Burundi's independence in 1962, the cooperation between the two countries remains limited. The main reasons are:

- In the two decades after Burundi's independence, the USA were not interest in sub-Sahara Africa Countries apart from those with natural resources; whereas, most of these countries were more interested in keeping cooperation relations with their former colonial power.
- Burundi, as a small enclosed Country doesn't present any interest to American multinationals that are usually the ones indirectly behind Bilateral Trade Agreements.
- The political instability in Burundi since independence didn't encourage trade relationships that could allow more or less long-term trade agreements.

The above are some of the reasons as to why there is no bilateral trade agreement between the USA and Burundi.

Nevertheless, Burundi as in the other Sub Sahara African Countries could be eligible for the African Growth and Opportunity Act (AGOA).

This Act offers real advantages to sub-Sahara African countries that fulfill eligibility conditions. These conditions are not too demanding since 37 countries are already fulfilling them and enjoying the preferences therein.

Note that, in the EAC, Burundi is the only country which is not eligible to that Act yet.

AGOA in summary

Advantage: any Sub Sahara African country can export to USA duty free quota free textiles, agriculture and cottage industry products.

² Source: the 10th EDF program tool and Burundi national indicative.

Conditions: to be eligible for AGOA, the country accepts to commit to the commercial competition rules. On the political side, the country has to promote political pluralism and the human rights respect.

Every year beneficiaries meet through a forum to assess interested economic operators (on both sides), but also the civil society organizations.

The AGOA has been extended up to 2015.

American Embassy suggestions: looking at the potential benefits from this agreement, ADIR, as one of the civil society organizations interested in trade matters, food security and climate change, could take initiative to become involved so that Burundi could be eligible for AGOA. Funds to promote products exported through the AGOA framework could be generated by selling carbon credit to the American enterprises, great transmitters of Green House Gasses (GHG).

Bilateral Agreements between Burundi and South Africa

There are four cooperation agreements between South Africa and Burundi:

- Memorandum of understanding concerning the South Africa mission in support of the implementation of the Arusha Peace and Reconciliation Agreement for Burundi (26 October 2001)
- Memorandum of understanding contributing resources to the Africa Union Mission in Burundi (AMIB) (05 May 2004)
- General Co-operation Agreement between the Government of the Republic of South Africa and the Government of the Republic of Burundi (14 February 2007)
- Agreement between the Government of the Republic of South Africa and the Government of the Republic of Burundi on co-operation in field of Health Matters (16 September 2008)

Notice that among all the four agreement, none is dealing with trade. Meaning that there is no Bilateral Trade Agreement between the Republic of South Africa and the Republic of Burundi

Bilateral trade agreement between Burundi and Rwanda

After accession of Burundi and Rwanda in the East African Community and the signature of the Protocol on the Common Market on the 20th November 2009, all previous bilateral agreements between the five country members have become obsolete.

The protocol on the Common Market is actually the unique reference to commercial exchanges matters within EAC member States.

As far as Food security is concerned in the context of climate change, the protocol on the common market presents certain advantages to Burundi:

- Burundi is producing value added products (non conventional) that cannot grow in Rwanda situated higher in altitude like palm oil, rice, fruits like mango mandarin, etc.
- Because of the law of supply and demand, prices of those products have raised, Burundi farmer have realised increases revenue affording them the comfort to buy other food commodities, however:
- The reality is different. In fact the implementation of the protocol meets huge difficulties. The Government is faced with reduced revenue income from custom taxes.
- There is no agriculture policy that could support farmers so that they can improve their production in quality and quantity.

Bilateral trade agreement between Burundi and United Republic of Tanzania

- There is no bilateral trade agreement between Tanzania and Burundi
- It is presumed that that BTA may exist but only available in Dar es salaam
- Efforts continue to locate it at the Ministry for Foreign Relations and International Cooperation - Bujumbura.

Bilateral trade agreement between Burundi and the Republic of Uganda

- No bilateral trade agreement between Burundi and Uganda has been concluded so far
- The idea to have a written trade agreement/ document between the two countries initiated when P. NKURUNZIZA, President of Burundi Visited Uganda, has not yet been implemented/ formularized
- The flow of trade between Burundi and Uganda is mostly informal and no viable data can be found.
- Since the two countries are members of EAC, through the EAC Common Market Protocol, the access of trade relations amongst the partner states are going to be improved, and hence reliable data maintained.

Bilateral trade agreement between Burundi and the Republic of Kenya

Observation by officer dealing with trade:

- Burundians works very slowly, and sometimes do not care on the real situation they will face once the EAC Common Market Protocol will be fully fledged
- Various MoU and Bilateral Agreements had been negotiated and some had been signed, but Burundians are not benefiting much from those agreements eg: The negotiated MoU on Health, Burundi made no effort to operationalize it.
- Through Capacity Building, Kenya is interesting to improve the Burundi's capacity in various disciplines.

Regarding the subject, the following are existing between Burundi and Kenya.

- General Agreement on Cooperation concluded in 2007

- Based on the above, the following BTAs and MoUs were signed:
 - Agreement on Promotion and Protection of Investments signed in February 2009
 - Agreement on Bilateral Air services (BASA)
 - MoU on Defense matters
 - MoU on Cooperation in Agriculture, Livestock, and Fisheries done in November,2011
 - MoU on High Education, Science and Technology
 - MoU to modernize the Bujumbura Port by the Mombasa Port

Under capacity Building, Burundi is benefiting through:

- Scholarships: Three students are undergoing training in Kenya at the expense of Kenya Port Authority
- OBR staffs had been trained by Kenya Revenue Authority
- Burundi Defense Force are going training at the Kenya Military Institute
- Process is underway for the Staffs of Ministry of Foreign Affairs and International Cooperation to be trained in Kenya at the Institute of Diplomacy.

Some of the Kenya's companies operating on the soil of Burundi include:

- Kenya Airways (KQ), Diamond Trust Bank (BTB), Jubilee Insurance, KOBIL, and Pembe Mills.
- Others soon to come are :- Citizen Radio and TV and Kenya Commercial Bank.
- There are few Burundian companies operating in Kenya. E.g. those dealing with transportation services

PERCEIVED BENEFITS OF THE BILATERAL TRADE AGREEMENTS FOR BURUNDI

The perception is different from the stakeholders:

On one hand;

- There are no results from the bilateral trade agreements.
- Negotiations of those trade agreements are not well conducted. Sometimes the signatories of those agreements seem just to satisfy their partners of developed countries. They ignore the real needs of the population.
- There is doubt on those preparing and negotiating trade bilateral agreements.
- Another issue raised is who helps who? Africa has potentialities to grow its economy. Our leaders are not organized. They don't plan for long-term; they are not managing the resources for a safety future.
- There is no distinction between the technical and political mandate.
- Sometimes the Burundi negotiators sign trade agreements that are incomplete and inconsistent, and they are not respected after signature.
- While the partners aim at what they want, there is no objectives, no results awaited, no means defined to reach those results.
- On the other hand,
- There is interest to sign bilateral trade agreements because goods need market access and market is opened by the bilateral trade agreements.
- Traders get facilities in their transactions when they are doing it through trade agreements.

ADDRESSING CHALLENGES AND MAXIMIZING BENEFITS

- There is a need to motivate Burundian investing outside of the country to bring returns to their country, and that will be

achieved provided there are records showing who is doing what. Burundian Embassies abroad need to act on this accordingly.

- Define accurately agreements so that they provide value added instead of destroying the existing.
- While the third party benefiting in trade agreement, why the other party cannot benefit from them?
- Trade agreement must be for States but not for individuals. Agreements are between Nations.
- Sign trade agreement with long-term objectives and Results based programmes.
- Crucial needs to reinforce capacity of human resources involved in negotiations
- Update the trade policy strategies in which they can draw objectives
- Then clearly define long-term objectives for agreements.

Proposals on the role of the Geneva Ambassadors in this process

- Trade liberalization can complement negotiations within the WTO Working Group on Trade and Transfer of Technology, which is mandated to “examine the relationship between trade and transfer of technology, and of any possible recommendations on steps that might be taken within the mandate of the WTO to increase flows of technology to developing countries.”
- Establish strong relationships between the Geneva experts’ negotiators, the EAC secretariat experts’ negotiators and different capitals experts’ trade negotiators.

According to the framework for establishing modalities in agriculture, the agriculture negotiations has been the mandate set out in

Paragraph 13 of the Doha Ministerial declaration.

- Referring to that framework, we recommend to the Geneva Ambassadors negotiators to proceed to long term reforms of the Agriculture Agreement consisting of establishing a fair and equitable trade system and centered on the market.
- We recommend also to take into account the “Special and differential Treatment” where the Doha Ministerial Declaration calls for “substantial improvements in market access”.
- Geneva Ambassadors negotiators are requested to consider the LDCs rural development, food security and livelihood security needs and use the “Special and differential Treatment” as a tool for integral part of all elements of the negotiation, including the tariff reduction formula, the number and treatment of sensitive products, expansion of tariff rate quotas and implementation period.