



## **EABC UPDATE ON 1<sup>ST</sup> PRIVATE SECTOR DIALOGUE ON THE TRIPARTITE FREE TRADE AREA RULES OF ORIGIN- 5<sup>TH</sup> FEBRUARY 2016**

East African Business Council (EABC) together with The COMESA Business Councils (CBC) and the Association of Southern African Development Community (SADC) Chambers of Commerce and Industry (ASCCI) on 28<sup>th</sup> January 2016 convened at Hotel Villa Portofino in Kigali, Rwanda for the inaugural Tripartite Regional Dialogue to ensure inclusive participation of the private sector in the Tripartite Free Trade Area (TFTA) negotiation.

The Dialogue was held under the theme: ***"Harmonizing and developing a private sector position on TFTA Rules of Origin for Increased Market Access"***.

The first COMESA-EAC-SADC Free Trade Area, commonly known as the Tripartite FTA was launched in June 2015 by the Heads of State of COMESA, the EAC and SADC. Based on the theme, ***"Harmonizing and developing a private sector position on TFTA Rules of Origin (RoO)"***, the dialogue sort to address concerns relating to the different industrial capacities in the three Regional Economic Communities (RECs) and different ROO regimes. The FTA covers 26 member countries in Southern and Eastern Africa with a consumer base of approximately 625 million customers.

The private sector have consistently been advocating for the restructuring of the TFTA in various forums and during the inaugural Tripartite Regional Dialogue, the following Key recommendations were indicated for submission to the TTNF:

### ***1. Administration of Rules***

- ***Flexibility:*** the Rules should not be so rigid that there is only one criterion, and where necessary allow for alternative criteria.
- ***Simplicity:*** the Rules must be easy to understand so that compliance and compliance-assessment can be facilitated. Industry would want to comply with Rules without such compliance attracting extra production and compliance costs.
- ***Issuance of certificates of origin:*** Region to invest in automating the application, issuance and verification procedures of e-certificates in order to reduce related costs, and enhance integrity of the certificates.



- *Uniformity in administering the RoO:* Uniformity to ensure common understanding and interpretation of the current proposed Rules of Origin.
- *Treatment of small cross border traders:* Ease difficulties faced by small cross border traders, who play an important role in the distribution and supply chain of big operators.

## **2. Conclusion of the RoO negotiations**

- The technical working group on RoO to meet the June 2016 deadline, in order to facilitate the private sector on planning for their businesses and to create certainty in the TFTA trade regime.

## **3. Criteria to be considered by the TTNF**

- *Wholly Produced:*
- *Substantial transformation through Change of Tariff Heading (CTH):*
- *Have a list of goods exempted from CTH:* Those goods should be either one of the following;
  - Those resulting from processes not conferring origin as detailed under Article 9 of Annex 4 on Rules of Origin. Those goods must be qualified on the value of the non-originating material does not exceed 70% of the ex-works price of the product, i.e. minimum local content of 30% of the ex-works price;
  - Those falling in the same heading with their inputs or parts should be qualified on the value of the non-originating material does not exceed 70% of the ex-works price of the product, or should undergo specific processes within the region.

## **4. Tolerance / De minimis provisions**

- *Member states are urged to adopt provisions to allow a certain percentage of non-originating products to be used without affecting origin:* This should be set at 15% of the ex-works price of the product.



## **5. Simplified Trade Regime**

- The TFTA should concretize the gains and preserve the positive aspects of the individual REC frameworks and should adopt and harmonize the Simplified Trade Regime to support the small cross border traders. In this light a maximum threshold of \$2000 per consignment and a Simplified customs document should be applied.

## **6. Rules on Fisheries**

- The condition of “having a valid fishing license issued by a Tripartite Member/ Partner states,” should be adopted as one of the criteria in determining the issue of vessels in terms of Article 6.
- The condition of “having a valid fishing license to fish in the Exclusive Economic Zone of a Tripartite Member/ Partner states,” should be adopted as one of the criteria in determining the issue of vessels in terms of Article 6.

## **7. On Textiles and Textile Products**

- The Member states are urged to adopt the Single stage Transformation criteria for textiles and textile products with a provision of review to incorporate Double stage Transformation criteria in future.

## **8. On Machinery**

- Member states are urged to adopt the criteria that the value of the non-originating material does not exceed 70% of the ex-works price of the product, and where necessary apply an alternative criteria.

### **Other Key Recommendations**

In addition to the above, member states were urged to convene technical committees on key sensitive sectors; fisheries, machinery, automotive and textiles to inform the RoO negotiations.

**ENDS**