



UPDATE ON REGIONAL INTEGRATION ISSUES

22nd AUGUST 2013

EABC Public Private Dialogue on COMESA-EAC-SADC Tripartite Free Trade Area

Focus on Rules of Origin & Market Access

25th -26th July 2013, New Africa Hotel, Dar es Salaam Tanzania

Key Recommendations

- On the Rules of Origin underlying preferential intra-TFTA trade, the meeting submits that these should be simple, transparent, and conducive to the further expansion of intra-regional trade.
- Materials and goods that are wholly produced in the TFTA region should be deemed originating and qualify for preferences. The definition for the principle of “wholly produced” should take into account the current provisions in the three RECs. The meeting recognises that the draft TFTA RoO form a useful basis for the definition of “wholly produced”.
- Goods that are not wholly produced should obtain originating status on the basis of a percentage rule, alternatively on the basis of a change in tariff heading.
- The percentage rule should deem goods and materials to be originating in the TFTA region provided that the value of non-originating materials is less than 70% of the ex-works price of the product. Goods should be considered originating in the TFTA region whenever the value of originating materials used is greater than 30% of the ex-works price of the product.
- The meeting further recommends that provision is made for the valuation of materials and goods that accommodates the cost impacts of freight, insurance and other charges related to the sourcing and production process. In the calculation of non-originating materials, no heed should be taken of the costs (insurance, freight, duties, wastage and other transportation overheads) both between the original source country and the TFTA

member state, and the transportation between the member states to the place of production.

- In terms of the valuation of originating content, the upstream transportation costs between TFTA member states in getting the input materials and intermediate goods to the place of production should be included in the calculation of local content.

- *Apply the change in tariff heading rule (CTH) where applicable.*
 - Apply full cumulation across TFTA
 - Allow outward processing of 10% of the ex-works price of the product
 - Uniform mechanism of issuing certification by country's customs body or duly authorize competent authority
 - Propose electronic certificate of origin
 - Derogations should be time bound.
 - Mutual recognition of Certificate of Origin
 - Cost of the verification should be borne by the Tripartite Secretariat (EAC, COMESA, and SADC).
 - Industrial and infrastructural pillars as well as movement of business persons
 - Tariff Offer should consider key EAC neighboring countries i.e Ethiopia, Democratic Republic of Congo (DRC) , Mozambique and South Sudan.

- EAC should focus on trade regulations that in favor of local industries in the EAC, foster intra EAC trade and investment.
- Capacity building in advocating of RoO issues
- Create of awareness and development of communication materials

JOINT MEETING OF THE TRIPARTITE SECTORAL MINISTERIAL COMMITTEE ON TRADE AND INDUSTRY (10th July 2013, Point Piments, Mauritius)

The Tripartite Trade Negotiations Forum (TTNF) took place on 10th July 2013 in Point aux Piments, Mauritius. The purpose of the meeting was to consider the progress on the Tripartite Free Trade Area Negotiations, Tariff Liberation process to be undertaken and consideration of the Industrialization pillar of the Tripartite Negotiations.

Progress on the Tripartite Free Trade Area Negotiations:

All the preparatory work to guide the negotiations has been undertaken. Specifically Technical working groups have been established to provide technical input and undertake analytical work on specific negotiating themes and issues related to the negotiations and these include

1. Customs Cooperation, documentation, procedures and transit instruments
2. Rules of Origin
3. Technical Barriers to Trade, including Standards and Metrology, Sanitary and Phyto-sanitary measures; and NTBs
4. Trade Remedies and Dispute Settlement
5. Industrialization development
6. Movement of Business Persons

Text based negotiations have so far started but private sector participation is still limited.

Note: The private sector in particular the Manufacturers Associations need to actively participate in these negotiations especially during the sessions of the above mentioned Technical Working Groups.

Tariff Liberalization:

All negotiating parties are in the process of preparing their tariff offers and these have to be made by September 2013. The offers will include goods for immediate liberalization (0%), goods for gradual liberalization and sensitive products.

EAC will be negotiating with 10 countries, these include SACU(Botswana, Lesotho, Namibia, South Africa, and Swaziland); Angola, Eritrea, Ethiopia, Mozambique and DRC.

All negotiating parties shall prepare their tariff offers within the 60 – 85 percent parameters, which shall be the basis for initial negotiations. The remaining tariff lines will be subject of further negotiations, including the period for their liberalization.

Note: The EAC Private Sector has to take keen interest on the existing and possible trade relations with the above mentioned countries before the EAC Secretariat submits its offers by end of September 2013

Industrial Development Pillar

During the 2nd Tripartite Summit of Heads of State and Government it was decided that a work programme and roadmap be developed on the Tripartite Industrial Development Pillar.

So far under this pillar the following has been accomplished;

1. Baseline survey studies to inform the process of preparation of the work Programme/Roadmap to advance work on industrial development
2. Workprogramme and Road map to advance work on industrial development among the Tripartite Member/Partner States
3. Establishment of a Technical Committee on Industrial Development
4. TORs for the Technical Committee have been developed and approved

Expectations from the Technical Committee

1. Develop modalities for cooperation in industrial development, to foster value additions, add value to raw materials and improve the productive capacity of member states to enhance trade
2. Identify areas requiring policy coherence amongst the Partner States to facilitate the industrialization process such as common approaches or policies on raw materials, protection of intellectual property and traditional knowledge, and the use of government procurement to drive industrialization
3. All this has to be accomplished by the end of October 2013

Note: Industry Associations need to take part in this technical committee as opposed to the current composition, mainly made up of Government officials.