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CONTINENTAL FREE TRADE AREA (CFTA) - RULES OF ORIGIN

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Scope of Presentation



- History of CFTA;
- Latest Developments;
- Origin Criteria Options;
- Challenges in the design of CFTA RoO.



History: “Why the CFTA”?



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- ❖ ***“There cannot be a good reason why it is easier for us to trade with Asia, Europe and the Americas, rather than with fellow Africans,”*** Kenya’s President Uhuru Kenyatta speaking at PAP Meeting in Midrand, South Africa, in 2015.

- ❖ ***“The CFTA is critical NOT ONLY **for its potential benefits,** BUT ALSO **to mitigate the costs associated with inaction**”,***
- UNCTAD, 2015.



History of the CFTA

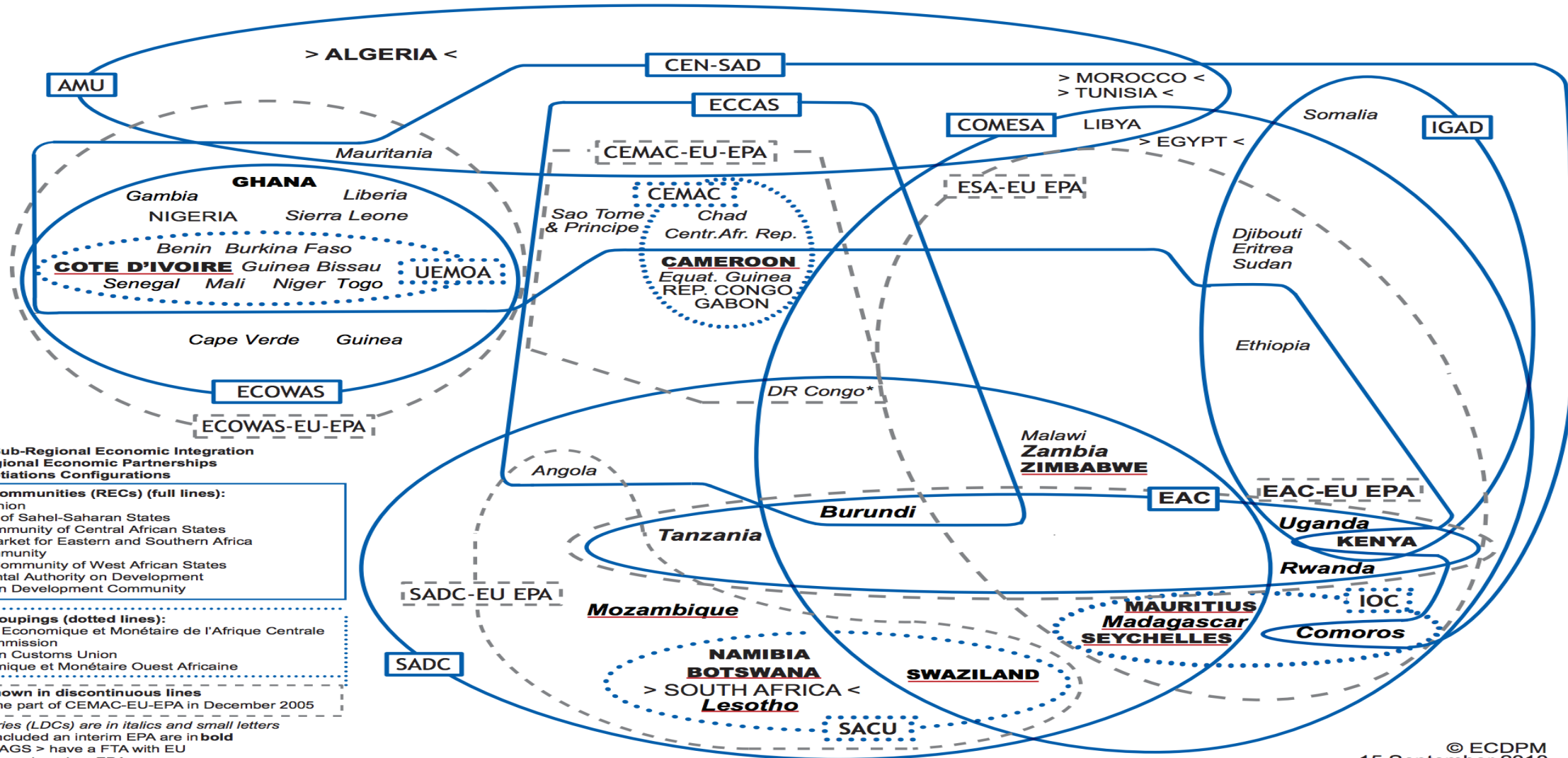


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- ❖ The Continental Free Trade Area (CFTA) initiative is in line with the **Abuja Treaty** (signed on 3rd June 1991) – the Treaty Establishing the African Economic Community.
- ❖ The 18th Ordinary Session of the AU Assembly of Heads of State and Government held in January 2012 adopted an Action Plan for **Boosting Intra-African Trade (BIAT)**.
- ❖ The Assembly agreed on a roadmap for the establishment of a Continental Free Trade Area (**CFTA**) by an indicative date of 2017.



Africa's Regional Integration Arrangements





8 Africa Union's RECs



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Out of more than 15 Regional Integration Arrangements, 8 AU RECs are:

Arab Maghreb Union (AMU);

CEN-SAD;

ECCAS;

ECOWAS;

IGAD;

COMESA;

East African Community (EAC);

SADC.

Negotiating a Tripartite Free Trade Area (TFTA)



CFTA Road Map



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CFTA established by 2017

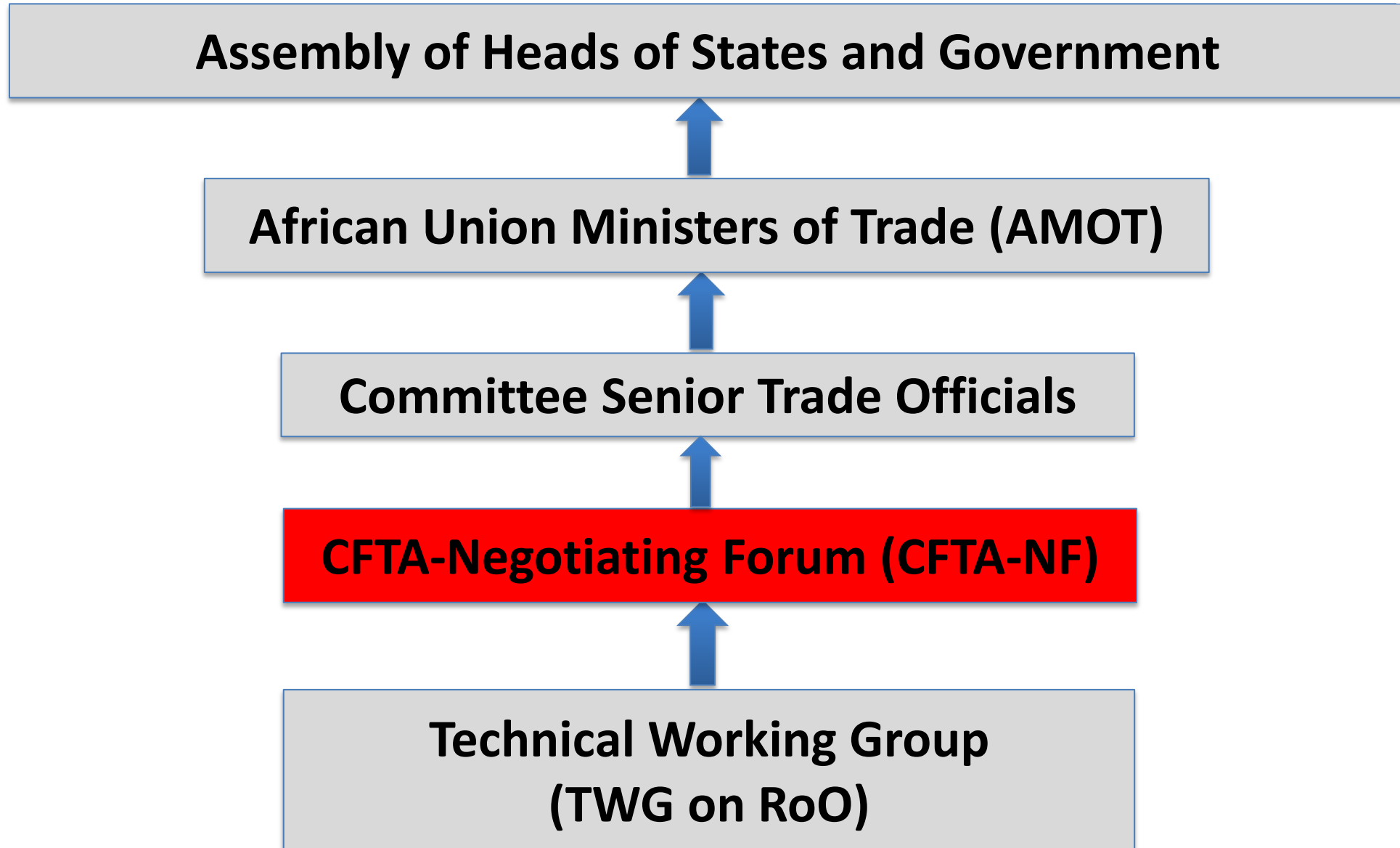
Consolidation of the Regional FTA Processes into the CFTA
2015 - 2016

COMESA-EAC-SADC
Tripartite FTA established by 2014

Other RECs establish
their FTA by 2014

Other AU Member States outside
the FTAs of the 8 recognised
RECs join CFTA by 2017

Negotiating Structures





CFTA TWG on RoO



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- ❖ The TWG comprises experts from Member States and RECs
- ❖ The TWG has met twice to draft text of the CFTA RoO
- ❖ A Situational Analysis of RoO in 8 RECs has been undertaken
- ❖ 5 out of 8 RECs have functioning RoO in their FTAs
- ❖ 3 of these 5 adopted Product-list Specific Rules
- ❖ 2 of these 5 adopted “Across-the-board” (General) Rules
- ❖ % of value thresholds vary across the RoO in the RECs



Possible CFTA Origin Criteria



- ❖ Wholly Produced products
- ❖ Value of non-originating materials (%)
- ❖ Change of Tariff Heading
- ❖ Specific Processes

Value addition criterion may be discouraged due to its accounting complications



Challenges



It is anticipated that the CFTA RoO will:

- ❖ Deepen market integration at regional and continental levels;
- ❖ Boost Intra African Trade (currently at 14 – 18%);
- ❖ Promote regional and continental value chains; and
- ❖ Foster economic transformation of the continent through industrialization.



RoO as NTBs



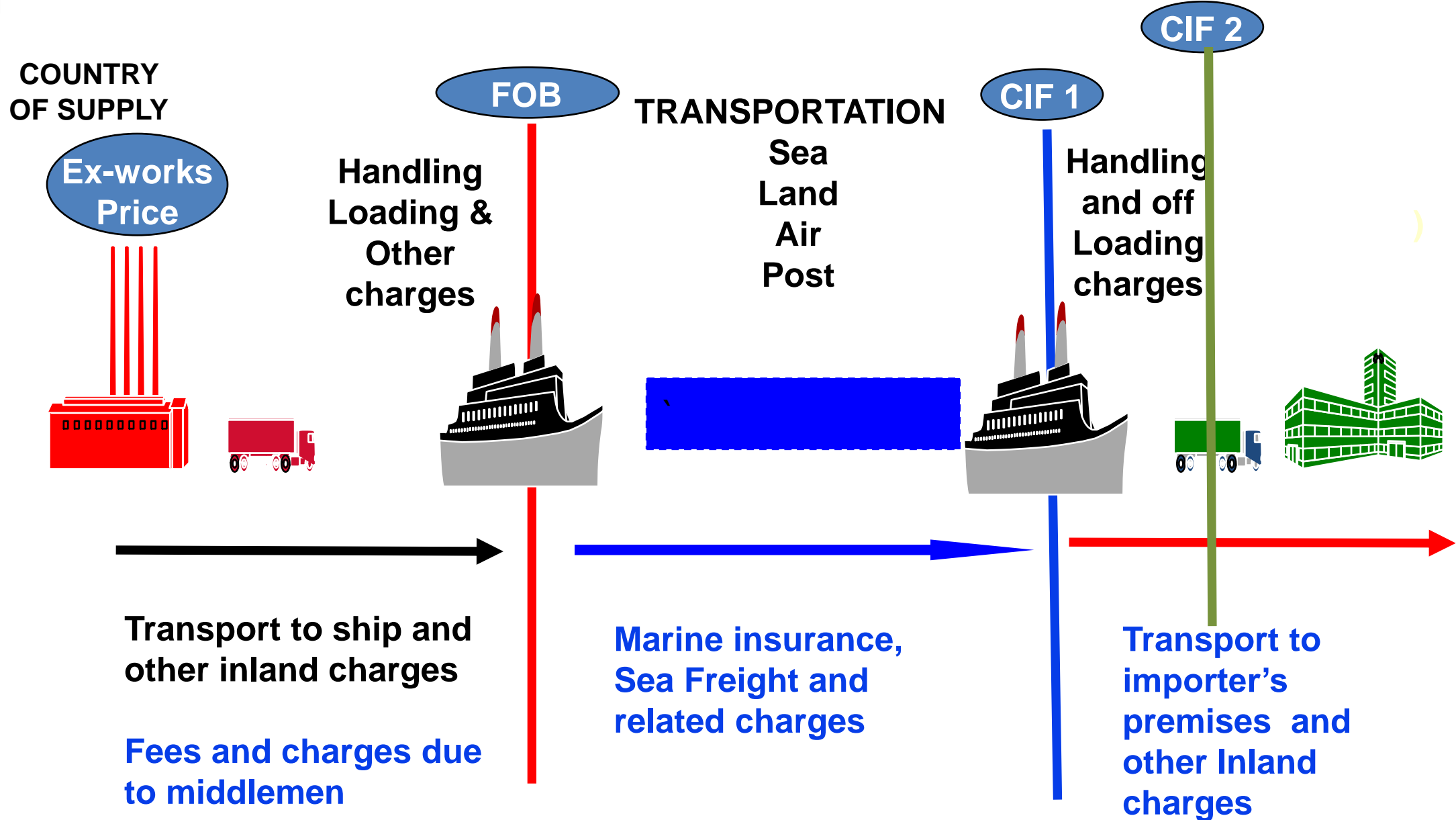
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How can RoO Experts design CFTA RoO that will not become Non-Tariff Barriers to trade?

- ❖ There is an NTBs TWG in the CFTA.
- ❖ AUC is working with partners in exploring a continent-wide NTBs monitoring and resolution mechanism.
- ❖ Development of an e-Certificate of Origin has been initiated in some Member States.



FREE ON BOARD (FOB) vs COST, INSURANCE & FREIGHT (CIF)





Implications of CIF Values in RoO



- ❖ Can the CIF value be cut off at the first CFTA border / port of entry into Africa?
- ❖ Can the CIF be substituted with an FOB value?

Potential Benefit: Landlocked MS goods more likely to qualify under preference?



Capacity Building



- ❖ The Experts in the TWG need technical support in designing the RoO.
- ❖ Industry needs to make inputs in the design of trade facilitative RoO
- ❖ All players in the Supply Chain need capacity in effective utilization of CFTA RoO



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**THANK YOU
FOR YOUR ATTENTION !**