

CONTINENTAL FREE TRADE AREA (CFTA)

APPENDIX 2 ON RULES OF ORIGIN

SUBMISSION BY BUSINESS UNITY SOUTH AFRICA

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Background

BUSA is a confederation of business organisations including chambers of commerce and industry, professional associations, corporate associations and unisectoral organisations. It represents South African business on macro-economic and high-level issues that affect it at the national and international levels. BUSA's function is to ensure that business plays a constructive role in the country's economic growth, development and transformation and to create an environment in which businesses of all sizes and in all sectors can thrive, expand and be competitive.

As the principal representative of business in South Africa, BUSA represents the views of its members in a number of national structures and bodies, both statutory and non-statutory. BUSA also represents businesses' interests in the National Economic Development and Labour Council (NEDLAC).

Introduction

The development of the Continental Free Trade Agreement (CFTA) Rules of Origin (RoO) for eight independent Regional Economic Communities (RECs), namely, the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community



(SADC), The Economic Community of West African States (ECOWAS), the Economic Community of Central African States (ECCAS), the Intergovernmental Authority on Development (IGAD), the Community of Sahel-Saharan States (CENSAD) and the Arab Maghreb Union (AMU) is one of the most important steps of establishing an FTA.

BUSA takes note of the improvements made on the Appendix in the August 2017 RoO Technical Working Group (TWG) meeting. The TWG recommendations are noted as work-in-progress.

BUSA's Position and Motivation

BUSA has noted that the changes that have been made in the appendix so far are aligning the CFTA RoO to the situational analysis and the Tripartite Free Trade Area (TFTA) RoO as per the South African position.

Business position on the specific articles is as follows:

1. Article 1: Definitions

Adding the definition of the "Customs Value" would be more appropriate as the "c.i.f. value" is not used in the text yet. Whilst the use of the CIF is recommended in one of the proposals in Article 7 of the Appendix, it has not been an agreed option.

2. Article 6: Wholly Obtained Products

- The article needs to be aligned to the World Customs Organisation (WCO) as in the TFTA;
- Animals should be "born and raised" in (d) and (e) in line with the WCO principles and international practise;
- An additional article or clause on "Food Aid" as in the SADC Trade Protocol is crucial to have.

3. Article 7: Substantially Transformed Products

- The "OR's" to be deleted if option 1 is agreed on, as all those rules should be met;

- Business supports the use of “ex-works price” as per international standards.

4. Article 8: Working or processing not conferring origin

The processes not conferring origin need not be limited to specific products, eg. “h) Peeling, stoning, or shelling of vegetables of Chapter 7, fruits of Chapter 8, nuts of heading 08.01 or 08.02”.

“Peeling, stoning, or shelling of vegetables” would have sufficed.

5. Article YYY: Goods produced under special economic zones

“Special Economic Zones” needs to be defined in article 1 when the new proposed article is agreed on.

6. Article 14: Sets

Business prefers the use of “ex-works price” and the formulation of the article to be as in the TFTA.

7. Article 17: Proof of Origin

The article is still to be revised.

8. New Article on Approved Exporter to be proposed.

9. Article 21: Exemption of Proof of Origin

The values should be specified in 21 (2).

10. Article 22: Supporting documents

Referencing needs to be revised in Article 22 and the whole document as work progresses.



11. Article 28: Verification of proofs of origin

Time frames should not be predetermined. They should be negotiated.

Generally:

The inappropriate use of “OR” instead of “AND” could weaken the rules. Attention needs to be paid to this.

Conclusion

BUSA appreciates the opportunity provided by **the dti** for business and Nedlac social partners to comment on the CFTA RoO draft text. Should **the dti** have further questions in this regard, BUSA is available to engage further.