UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
IN COLLABORATION WITH
THE COMMON MARKET OF EASTERN AND SOUTHERN AFRICA (COMESA)
AND TRADEMARK SOUTHERN AFRICA

AN ASSESSMENT OF THE IMPACT OF PREFERENCE EROSION AND RULES OF ORIGIN IN EASTERN AND SOUTHERN AFRICA

A STUDY AND SURVEY OF EASTERN AND SOUTHERN AFRICAN EXPORTERS

UNITED NATIONS

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
IN COLLABORATION WITH
THE COMMON MARKET OF EASTERN AND SOUTHERN AFRICA (COMESA)
AND TRADEMARK SOUTHERN AFRICA

AN ASSESSMENT OF THE IMPACT OF PREFERENCE EROSION AND RULES OF ORIGIN IN EASTERN AND SOUTHERN AFRICA

A STUDY AND SURVEY
OF EASTERN AND SOUTHERN AFRICAN EXPORTERS

UNITED NATIONS
New York and Geneva, 2011

Note

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations or COMESA concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.

UNCTAD/ALDC/2009/5

Acknowledgements

This Study was made possible by the contributions of the Trade Mark Southern Africa programme, a trade related technical assistance programme financed by the United Kingdom of Great Britain and Northern Ireland's Department for International Development to the UNCTAD project, Mainstreaming LDCs into the Global Economy. The study was carried out by Mr. Caesar Cheelo, lecturer and research economist at the University of Zambia; Mr. Stefano Inama, Trade Lawyer, Senior Trade and Customs Expert, UNCTAD; and Mr. Themba Munalula, Senior Statistician/Economist, Secretariat of the Common Market for Eastern and Southern Africa (COMESA).

Individual country consultants who supervised the in-country surveys were Sanjay Mungur (Mauritius), Zizwe Vilane (Swaziland), Evarist Mugisa (Uganda), Bernadette Wanjala and Christopher Onyango (Kenya), Charles Mataya (Malawi) and Herintsalama Rajaonarivelo (Madagascar).

Contents

Chapters

Tables

Preface

Africa accounts for less that 2.5% of world trade and non-oil exports have been about 1% since 1992 which is about half of their 1980 value. The level of intra-African trade is also low at about 10%, compared to about 40% in North America and about 60% in Western Europe.

Africa ranks low on trade policy and facilitation performance. Seven African countries are in the bottom ten most restrictive trade regimes, and Africa has the lowest rating of any region for logistics performance. Markets remain fragmented and borders are difficult to cross, which prevents the emergence of regionally integrated industries and supply chains

In order to change, Africa needs to learn to trade its way out of poverty and this can be achieved partly through reducing the costs of cross-border trade and through improved market access. Economists and academics have long debated the trade distorting nature of trade preferences. Although there may be an element of distortion introduced in trade flows as a result of preferences, one of the findings of this study is that many producers in the Eastern and Southern Africa region rely on these preferences to gain market access into regional markets.

Africa's free trade areas are now coming of age and no more so than the emergence of the COMESA-EAC-SADC Tripartite Free Trade Area. The Tripartite FTA will encompass 26 countries, which is about half of Africa and the African Union membership. This region has a population of 565 million people and a GDP of US$875 billion and is expected to have a GDP of over US$1 trillion by 2013. The Tripartite region has a total land area of 17.1 million square kilometres, which is twice the size of China, with abundant minerals and natural resources. In short, this is a region of vast economic potential, which, with the necessary investment, and through the joining up of markets, through a Free Trade Area, can be converted into a prosperous region that will benefit all of its residents and citizens.

Tariff liberalisation is, however, of no benefit if traders are not able to take advantage of preferential market access conditions because of stringent and restrictive Rules of Origin. This is not to say that Rules of Origin are not required in a Free Trade Area. Indeed, Rules of Origin are the very essence of a Free Trade Area and are necessary to avoid trade deflection. If there were no Rules of Origin to be complied with, third country products could be simply transit into an Eastern and Southern Africa country and claim preferences in a preference giving country or re-exported free of duty.

However if rules of origin are too stringent, especially in a region like Eastern and Sothern Africa, they act as a disincentive to promote a supply-side response. Strict Rules of Origin reduce the effectiveness of the preferential or free trade agreement they apply to – they do not promote either industrialisation or foreign direct investment.

At a time when the Eastern and Southern Africa region is taking up the challenge to negotiate a Tripartite Free Trade area encompassing 26 Eastern and Southern Africa countries the findings of this study, relating to two key factors underpinning the creation of a successful Free Trade Area, these being tariff liberalisation and liberal Rules of Origin, are extremely relevant.

Ngwenya

Sindiso Ngwenya
Secretary General
Common Market for Eastern and Southern Africa

May 2011

Executive summary

This study aims to obtain policy-relevant insights from firms in the Eastern and Southern Africa (ESA) region on preference erosion, rules of origin and other trade-related issues. These views are important for informing trade negotiations. As a survey, it gains deeper insights from exporters on what is likely to happen to their exports in the event of preference erosion. This is a ground-breaking study, since it is the first analysis of its kind.

The analytical foundation of this study stems from the findings of the UNCTAD publication, *Erosion of trade preferences in the post-Hong Kong framework: From 'Trade is Better than Aid' to 'Aid for Trade*[1]. In that report it was observed that preferential trade flows, albeit relatively small, have significant poverty implications. In that regard, the UNCTAD study recommended the need to address preference erosion through the Enhanced Integrated Framework and the Aid for Trade Initiative as well as the extension of market access and reform of rules of origin.

Based on the results of the UNCTAD study, it was clear that the preferential trade flows were concentrated in a bundle of tariff lines. By selecting these tariff lines and bringing the analysis forward to the field, major insights into the potential impact of preference erosion could be found.

The main methods of analysis began from a tariff-line analysis of preference utilization in the markets of the European Union and the United States of America. A desk analysis was carried out by selecting the tariff lines where preferences have been most utilized with regard to trade flows and preference margins. A questionnaire was prepared, leading to a firm-level, multi-country survey that was conduced in various sectors in 10 countries. The selection of countries and their industries was based on previous UNCTAD work (tariff-line analysis), which determined the sectors or industries in the countries in the sample for which preferences mattered the most in terms of their utilization. Two selection criteria were adopted: the magnitude of the trade flows in respect of a country's overall exports and the preference margin.

The survey involved administering a structured questionnaire with a number of industry-specific subsections. The interviewers received two training sessions of one day each on the content and objectives of the questionnaire. Analysis of the survey data mainly involved descriptive statistics and qualitative analyses.

[1] http://www.unctad.org/Templates/webflyer.asp?docid=9397&intItemID=1397&lang=1

Survey findings

Overall, the study derived a number of interesting and policy-relevant insights from the multi-country survey. A number of observations were made by focusing on the four sectors for which clear comparisons and contrasts could be drawn – horticulture, textiles and clothing, fisheries and flowers.

Horticulture

Pooled observations from Kenya and Zambia suggest that awareness of the actual preference margin existing in the exporters' respective markets was somewhat limited with only a few of the firms in Kenya reporting on the magnitude of preference margins they enjoyed. Firms generally considered that preferences were an important factor in sustaining their businesses; most of the firms surveyed regarded preferences as the most important factor in determining both export operations and relations with specific importers abroad. Similarly, all firms anticipated experiencing adverse effects from the complete erosion of trade preferences and just over 50 per cent of the pool's sample, to a great extent. Less than 50 per cent of the firms stated that they would be affected to a limited extent. Only one firm, in Kenya, was able to express the magnitudes of commercially meaningful preference margins for its exports to remain attractive on its export market. A clear understanding of the quantitative potential impact was very limited.

On rules of origin issues, most of the firms had not faced significant problems with the key elements to the extent of affecting their utilization of the generalized system of preferences (GSP) regime. This finding is not surprising, considering that horticultural products are wholly obtained products in a given country where they are grown and harvested and normally do not encounter difficulties in complying with rules of origin. In the few cases where problems were reported, reference was made mainly to domestic procedures and direct consignment. Most firms were of the view that some of the simplification initiatives on rules of origin such as electronic certification and self-certification would improve their businesses' export operations and lower transaction costs. The majority of firms were, however, not able to quantify the required preference margin for offsetting their current costs of complying with certificate of origin and direct consignment requirements.

With reference to some of the changes to rules of origin procedures such as the European Union's new exporter registration proposal, most firms in the sector indicated that they would be able to comply; only one firm, in Zambia, indicated that it anticipated compliance difficulties.

Textiles and clothing

Generally, the utilization of preferences by sampled firms across the five countries in the survey that export textiles and clothing – Kenya, Madagascar, Mauritius, the United Republic of Tanzania and Swaziland – was observed to be relatively high, as an artefact of the industry selection of this study. Yet the purpose of the exercise was to determine the impact of preference erosion and rules of origin on their exports.

Firms in Kenya and Madagascar generally found it difficult to indicate the level of preference margin that they enjoyed in their respective markets, in contrast with those in Mauritius, the United Republic of Tanzania and Swaziland, which on the whole were able to provide an estimate. Despite the mixed results, firms overall felt that preferences were among the most important factors sustaining their export operations and maintaining their business relations with buyers and importers abroad. They all anticipated experiencing significant adverse impacts from the complete erosion of preferences in their markets. Other than in Kenya, firms in all countries were able to report an estimated level of commercially meaningful preference margin required to keep their goods attractive in their markets.

Textile and Clothing firms across the countries revealed mixed experiences with rules of origin, trade facilitation and certificate of origin issues. In all countries, a few firms had experienced various problems with the key elements of origin criteria to the extent of affecting the utilization of GSP preferences, while others did not encounter specific problems.

On the use of donor country content and cumulation facilities, again, the results were mixed. In Kenya and Swaziland about 50 per cent of firms indicated having used one, probably in the context of the African Growth and Opportunity Act (AGOA). In Mauritius and the United Republic of Tanzania, the use of these facilities was considerably more limited. Firms generally concurred that self- and electronic-certification facilitation arrangements would improve their export operations. Generally, the majority of firms in all countries were able to provide estimates of the commercially meaningful preference margin required to offset the costs of compliance with certificate of origin and/or direct consignment rules, suggesting a high understanding of their current costs associated with certification and direct consignment requirements. Overall, firms anticipated few difficulties in complying with the European Union's proposed export registration requirement.

Fisheries

The fisheries sector was considered in Madagascar, Mauritius, Seychelles, the United Republic of Tanzania and Uganda, given extremely high preference margins for canned tuna and fish products and preference utilization levels in these countries. Responses concerning awareness of the magnitude of preference margins that firms enjoyed were varied. In Mauritius, all firms gave an indication of this magnitude while in Madagascar, a few firms were able to provide an estimate, and in Uganda, none of the firms provided an estimate. The two firms surveyed in Seychelles were acutely aware of the preference margins. Across the four countries, there was unanimity that preferences were most important for sustaining export business operations and relations with clients abroad. Furthermore, all firms anticipated a significant adverse impact of the erosion of preference margins; across the four countries, only one firm, in Uganda, was unable to provide an estimate of the commercially meaningful level of preference margins required to keep exports competitive in their respective markets.

One firm in Uganda experienced significant problems with domestic procedures; one firm in the Seychelles reported problems with the rule requiring the use of vessels that were from the European Union or African, Caribbean and Pacific States (ACP). Firms generally agreed that various facilitation arrangements helped improve their trade performance, lowering transaction costs. Save for one firm in Uganda, all of them indicated that they would be comfortable with the new proposal by the European Union on export registration.

Flowers

Four countries, Kenya, the United Republic of Tanzania, Uganda and Zambia were surveyed with respect to the flower sector. The awareness of levels of preferences was mixed. In Uganda, all firms were able to provide estimates of the preference margin, while in Kenya and the United Republic of Tanzania, a few were able to provide the estimate, and in Zambia, none were able to indicate this. All firms, however, generally indicated that preferences were the most significant element in determining export operations and relations with buyers and that preference erosion would have significant adverse impacts on their businesses. A number of firms, except in Zambia, were able to express commercially meaningful levels of preference margins needed to keep their exports competitive.

On rules of origin and trade facilitation issues, the findings were very mixed indeed, both across and within countries. No remarkable or unique results were obtained from the firms across the four countries. This finding is not surprising considering that, as in the case of horticultural products, flowers are wholly obtained products in a given country where they have been grown and harvested and normally do not encounter difficulties in complying with rules of origin.

Informing the Aid for Trade debate

The study also gleans arguments on the Aid for Trade debate. This debate was of interest because it is widely known that despite the potential for trade to contribute to growth, poverty reduction and development, supply-side constraints become barriers to achieving these trade potentials. These supply-side constraints are the target for Aid for Trade programmes. The preference erosion firm survey reveals a number of informative issues related to some of these supply-side constraints and some successes where such constraints have been addressed.

Infrastructure supply-side issues

Poor road and rail infrastructure and port equipment were cited as key constraints by some firms in the survey (Malawi, Madagascar, Kenya, Swaziland, Uganda and Zambia), while port inefficiency was another constraint that firms highlighted in the survey (Madagascar, Swaziland, Mauritius and Kenya).

Productive capacity issues

Inadequate shipping lines (Madagascar and Mauritius), incapacity for bodies responsible for inspections relating to sanitary and phytosanitary measures to undertake their work (Madagascar), streamlining of export-testing procedures (Mauritius) were issues raised by firms in the survey that required action in order to improve their productive capacities. Another critical issue affecting the firms' supply chain efficiency was long export procedures (Madagascar, Swaziland and Mauritius)

One particularly changing issue for export trade has had to do with the global fuel price escalation. This has increased freight costs and has the potential to significantly and adversely affect firms' export performance. It is urgent to take pragmatic steps to address the fuel price escalation that has taken place. Many of the firms in the countries covered in this survey suggested that their respective governments should find ways of subsidizing, rather than taxing fuel.

Other challenging aspects that make planning difficult and discourage investment are exchange rate volatilities and high interest rates on credit, respectively. Exchange rate movements were considered in some cases problematic by some firms, which is not surprising in environments where information and knowledge about hedging are not widespread. However, information on the high cost of borrowing is relatively widespread and discourages firms from using the domestic financial markets as a source of re-capitalization financing.

Trade policy-related issues

The textile firms in the survey highlighted the impact of non-tariff barriers that require firms to tailor production processes to meet a social compliance standard or a buyer-specific environmental compliance requirement, consequently affecting their operations and increasing costs (Mauritius, Madagascar). These issues should be tackled at the level of trade policy negotiations between host countries and export markets.

Adjustment assistance issues

What is clear from all the firms in the survey is that the erosion of preferences would have a negative impact on their competitiveness. Roughly 64 percent of the firms were set up on the basis of existing preferences in export markets. The study did not estimate transition costs but clearly showed the need for such adjustment support in the event of preference erosion.

Conclusions

This study has sought to determine how the erosion of preferential treatment that Eastern and Southern African country goods have enjoyed might impact the countries. In this regard, it has also sought to determine the possible rules of origin changes, including trade facilitation procedures and streamlining of the current system of issuance of rules of origin and related documentation in preference giving countries, which could be used to offset adverse of effects of preference erosion.

Based on a survey of selected sectors in 10 countries, the study makes a number of important observations. The perspective captured by the study stems from a micro level, as the firms covered in the survey benefit from trade preferences and stand to directly experience the adverse effects of preference erosion.

Interestingly, the vast majority across all sectors are aware that the trade preferences they enjoy in markets of the European Union and the United States are an important and decisive factor in sustaining the export orientation to those markets. In general, the firms in these sectors may not be able to calculate and state the levels of the preference margins they enjoy compared with firms from other regions, but can estimate the range of preference margins that would help ensure that they remain export-oriented in their current market. Firms were able to categorically state that the impacts of substantial preference erosion beyond commercially meaningful levels (i.e., erosion of the preference margin to the extent that ESA export products are not longer attractive to buyers or importers in the European Union or in the United States) would include switching production lines or closing their businesses. This is an important policy concern for ESA countries, particularly given the export diversification, growth and poverty reduction potential of these sectors.

The survey requested general and product specific views on firm compliance with rules of origin, especially in the case of clothing and fisheries. Most firms of basic agricultural products like horticulture and flowers were compliant with rules of origin, demonstrating that they had generally adapted over time to the current origin rules that apply to their sectors. However, with specific reference to rules of origin for textiles and clothing – as well as for other sectors, though to a somewhat lesser extent – most firms generally felt they could not comply with some of the rules.

Non-tariff and other systemic trade barriers such as supply-side constraints were also identified by the firms as important impediments to trade. Aid for Trade strategies can be an effective vehicle for combating some of these barriers and helping to sustain export diversification and export orientation.

A key message for policy debates is that preferences do matter to firms and can be decisive in ensuring that they stay in the export business; further, preferences contribute towards general economic growth.

1. Introduction

Under the framework of the Doha Development Agenda, trade preferences have been at the core of ongoing negotiations for further multilateral trade liberalization. In part, this is because it is widely known that the conclusion of the Doha Development Agenda may have possible implications on preference erosion. Moreover, trade preferences proved to be a difficult negotiation issue during the Sixth Ministerial Conference of the World Trade Organization (WTO) in 2005.

Most African countries recognize that a move to further liberalization of the preference-giving countries will not be in their interest, as the erosion of preferences may reduce the benefits that some key potential growth sectors reap from preferential access to markets in the European Union and the United States.

In relation to the Economic Partnership Agreement (EPA) that COMESA is negotiating on behalf of ESA[2] Member States, there is currently an interim, or bridging-period, trade arrangement between the European Union and ESA countries.. It will be critical for the final negotiation of a full Economic Partnership Agreement to introduce adjustments that may take account of the possible impact of preference erosion and possible modifications that may improve market access and increase supply capacity of ESA countries. More lenient rules of origin should be an integral part of this final package taking into account the recently adopted EU GSP rules of origin substantially liberalizing a number of aspects of these rules including product specific rules of origin.[3]

In the UNCTAD report, *Erosion of trade preferences in the post-Hong Kong framework: From "Trade is Better than Aid" to "Aid for Trade"*, it was observed that preferential trade flows, though relatively small, have significant poverty implications. In that regard, the study emphasized the need to address preference erosion through a combination of trade and financial solutions. The trade solution called for expanding market access to fully implement the duty-free, quota-free commitments, strengthen multilateral discipline on preferences to avoid preference à la carte and liberalize rules of origin requirements. The financial solutions were to be provided through the Enhanced Integrated Framework and the Aid for Trade Initiative. The potential to strengthen private-sector participation and make poverty-reduction gains by offering exports of least developed countries (LDCs) preferential access to markets remained critical.

This timely study appeared when negotiations for a full economic partnership agreement were under way and the Doha Development Agenda had not yet been finalized. The study seeks to determine the potential impacts of preference erosion at the firm level based on a multi-country survey of selected sectors. It also seeks to identify possible rules of origin changes, including trade

[2] The interim economic partnership agreement was initialed with the Seychelles and Zimbabwe in November 2007, with Mauritius in December 2007 and with Comoros and Madagascar in December 2007. Mauritius, the Seychelles, Zimbabwe and Madagascar signed it in August 2009; Zambia and Comoros are still pending.

[3] See Commission regulation No 1063/2010 of 18 November 2010 amending Regulation (EEC) No 2454/93 laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 and Stefano Inama ,"The Reform of the EC GSP rules of origin : *Per aspera ad astra ?'"* to be published in the Journal of World Trade, June 2011 issue.

facilitation procedures and streamlining of the current system of the issuance of rules of origin and related documentation in preference-giving countries, in order to offset the adverse effects of preference erosion. Its contribution is to provide Member-State negotiators with a more accurate picture of which sectors are most likely to be affected by preference erosion and recommend possible countermeasures, such as changes to the rules of origin, aimed at mitigating the effects of preference erosion.

In addition, the study offers policy-relevant insights into the opportunities, needs and challenges of the business community in ESA, highlighting their optimal or preferred positions in world trade. This is important for the trade-negotiating positions of the region. The analysis underpinning the study will also provide a basis for further research into production and export structures as well as support arrangements of the identified sectors.

2. Understanding trade preference utilization

It is generally recognized that a country-specific analysis yields a more accurate picture of the likely effects of trade preference erosion and offers better insights into sector- and country-specific rules of origin issues, as well as other trade issues. This study uses European Union and United States data to conduct an analysis of tariff lines, which are most likely to suffer the effects of erosion in trade preferences. On the basis of these results, a survey was designed and undertaken, taking into account countries and sectors where trade preference are most widely utilized and where the potential erosion of preferences will matter the most. As mentioned previously, the survey gains deeper insights from the exporters on what is likely to happen to their exports in the event of preference erosion. This is a ground-breaking study, since such an analysis has not been conducted to date.

The ensuing subsections consider the tariff-line analysis of preference utilization in the European Union and the United States, which informed the design of the multi-country survey.

3. Preference utilization

3.1. Preference utilization in the European Union market for Eastern and Southern African exporters

The preference utilization of European Community (EC) preferences related to the products covered by the country survey are reviewed in this section.

A major contribution of this study was to analyse specific tariff lines that constitute some of the more important exports for the selected ESA countries. Table 1 highlights key EC imports from ESA by tariff line and discusses specific tariff lines used in this study to identify survey sectors and industries.

Fresh cut flowers (HS060310) have a high preference utilization rate of 98 per cent in the European Union market. Preference margins for this product under EC preferences are 8.5 per cent.

Tuna exports into the EC market from ESA are another major sector included in the preference erosion survey. These have a preference utilization of 95 per cent and a preference margin of 24 per cent in the EC market. Fresh beans and fresh peas have preference utilization rates of 80 per cent and 94 per cent, respectively, and enjoy preference margins of 13.6 per cent and 8 per cent, respectively. Imports of oranges into the EC from ESA countries have a utilization rate of 91 per cent and a preference margin of 16 per cent for LDCs and 12.8 per cent for ACP-originating imports.

Clothing products tend to be highly differentiated, with preference margins of 12 per cent for EC preferences. T-shirts (HS610910) are the largest in value in terms of clothing imported into the EC from ESA. The utilization rate for this product is 94 per cent. Jerseys and pullovers (HS611020) have a utilization rate of 93 per cent. Men’s or boys’ cotton shirts (HS620520) have a utilization rate of 90 per cent, whereas men’s or boys’ trousers (HS610342) have a rate of 78 per cent. Women’s briefs (HS610821) and men’s briefs (HS610711) have utilization rates of 88 per cent and 96 per cent, respectively. The utilization rate of cotton bed linen (HS630231) is 94 per cent, compared with 71 per cent for women’s trousers.

Table 1 indicates a range of preference margins and preference utilization rates for European Union imports from ESA. It is important to note that the table is only an extract of an original (full) table that was used in the analysis. For instance, the totals of "all products" in columns (7), (8) and (9) are greater that the sum of values in the specific product lines.[4]

Table 3 reports the similar results for 2007.

3.2 Preference utilization in the United States market for ESA exporters

Apart from petroleum oils, textiles are the next major AGOA export from ESA to the United States. As indicated in table 2, all products of Chapters 61 and 62 have a utilization rate of 89 per cent and above. The following textile products have preference margins of 20 per cent and above: men’s and boys’ trousers (HS610343), men’s and boys’ shirts (HS610520), men’s and boys’ shirts of man-made fibre (HS620530), garments of man-made fibre (HS611430), track suits (HS611212), women’s or girls’ blouses (HS610620) and babies garments (HS611130). Most of the remaining textile products have preference margins ranging from 10–20 per cent.

Tuna fish (HS160414) imports into the United States enjoy a preference margin of 10 per cent. The preference utilization rate for ESA exporters for this product is 100 per cent.

Table 4 shows a similar trade pattern for 2007.

[4] This applies to table 2 on AGOA exports from ESA.

Table 1

Preference margins and preference utilization rates for European Community imports from Eastern and Southern Africa (2005)

Products		Tariff duty rates (percentage)				Value of imports from ESA (thousands of dollars)						
HS code	Description	MFN applied	GSP	LDC	ACP	Total	MFN dutiable	Covered by preferential scheme	Receiving preferential treatment	Preference utilization (percentage)	Coverage (percentage)	Utility rate (percent-age)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	All products					39,146,628	7,597,752	6,756,137	5,554,553	82	89	73
060310	Fresh cut flowers and buds	8.50	5.00	0.00	0.00	428,291	427,817	427,817	419,781	98	100	98
610910	T-shirts, singlets and other vests, of cotton, knitted or crocheted	12.00	9.60	0.00	0.00	386,326	386,326	386,326	361,724	94	100	94
160414	Prepared or preserved tuna, skipjack and Atlantic bonito	24.08	20.58	0.00	0.00	362,262	362,262	362,262	344,961	95	100	95
240120	Tobacco, partly or wholly stemmed/stripped	.	0.08	0.00	0.00	234,702	216,240	216,240	208,293	96	100	96
030613	Frozen shrimps and prawns	13.00	5.92	0.00	0.00	141,203	141,203	141,203	141,023	100	100	100
070820	Beans, fresh or chilled	13.60	6.90	0.00	0.00	168,189	164,851	164,851	132,331	80	100	80
030410	Fresh or chilled fish fillets	12.75	9.02	0.00	0.00	137,785	137,340	137,340	82,861	60	100	60
611020	Jerseys, pullovers, etc, of cotton, knitted or crocheted	12.00	9.60	0.00	0.00	67,246	67,246	67,246	62,348	93	100	93
070810	Peas, fresh or chilled	8.00	4.50	0.00	0.00	64,073	64,073	64,073	60,229	94	100	94
620520	Men's or boys' shirts of cotton	12.00	9.60	0.00	0.00	66,253	63,431	63,431	57,146	90	100	90
620342	Men's or boys' trousers, breeches, etc, of cotton	12.00	9.60	0.00	0.00	65,163	65,163	65,163	50,774	78	100	78
060210	Unrooted cuttings and slips	2.00	0.00	0.00	0.00	50,324	50,317	50,317	48,015	95	100	95
080510	Oranges, fresh or dried	16.00	.	0.00	3.20	84,676	51,388	51,388	46,642	91	100	91
200820	Pineapples, prepared or preserved (excl. those of 20.06 and 20.07)	22.83	11.10	0.00	0.00	54,593	54,581	54,581	44,482	81	100	81
610510	Men's or boys' shirts of cotton, knitted or crocheted	12.00	9.60	0.00	0.00	45,973	45,973	45,973	42,526	93	100	93
610821	Women's or girls' briefs and panties of cotton, knitted or crocheted	12.00	9.60	0.00	0.00	41,561	41,561	41,561	36,617	88	100	88
070990	Other vegetables, fresh or chilled, nes	7.84	6.39	0.00	2.22	37,142	36,965	36,935	34,056	92	100	92
030342	Frozen yellow fin tunas	3.14	18.50	0.00	0.00	41,294	30,446	30,446	30,063	99	100	99
630231	Bed linen of cotton (excl. printed, knitted or crocheted)	12.00	9.60	0.00	0.00	31,157	31,114	31,114	29,339	94	100	94
610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	12.00	9.60	0.00	0.00	30,421	30,421	30,421	29,303	96	100	96
620462	Women's or girls' trousers, breeches, etc, of cotton	12.00	9.60	0.00	0.00	39,824	39,824	39,824	28,268	71	100	71
090500	Vanilla	6.00	2.10	0.00	0.00	24,245	24,245	24,245	21,131	87	100	87
620343	Men's or boys' trousers, breeches of synthetic fibres	12.00	9.60	0.00	0.00	21,014	21,014	21,014	19,687	94	100	94
711319	Art. of jewellery and pts thereof of/o prec mtl w/n plated/clad w prec mtl	2.50	0.00	0.00	0.00	45,179	45,170	45,170	18,750	42	100	42
610990	T-shirts, singlets, etc, of other textiles, nes, knitted or crocheted	12.00	9.60	0.00	0.00	19,125	19,125	19,125	17,042	89	100	89
071220	Dried onions	12.80	9.30	0.00	0.00	21,155	21,138	21,138	16,644	79	100	79
570330	Tufted floor coverings of man-made textile materials, nes	8.00	6.40	0.00	0.00	16,999	16,999	16,999	16,599	98	100	98
570320	Tufted floor coverings of nylon or other polyamides	8.00	6.40	0.00	0.00	17,355	17,355	17,355	16,505	95	100	95

Products		Tariff duty rates (percentage)				Value of imports from ESA (thousands of dollars)						
HS code	Description	MFN applied	GSP	LDC	ACP	Total	MFN dutiable	Covered by preferential scheme	Receiving preferential treatment	Preference utilization (percentage)	Coverage (percentage)	Utility rate (percent-age)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
081010	Strawberries, fresh	11.20	7.70	0.00	.	18,791	18,775	18,775	16,458	88	100	88
611030	Jerseys, pullovers, etc, of man-made fibres, knitted or crocheted	12.00	9.60	0.00	0.00	17,897	17,897	17,897	16,107	90	100	90
760110	Aluminium unwrought, not alloyed	6.00	.	0.00	0.00	21,632	21,338	21,338	16,083	75	100	75
030420	Frozen fish fillets	10.55	6.90	0.00	0.00	19,692	19,692	19,692	15,991	81	100	81
520548	Combed multiple or cabled yarn, with>=85 cotton, measuring<83.33 decitex per single yarn	4.00	3.20	0.00	0.00	20,901	20,901	20,901	15,989	76	100	76
570242	Pile floor coverings of man-made textiles, woven, made up	8.00	6.40	0.00	0.00	16,194	16,194	16,194	15,119	93	100	93
720221	Ferro-silicon, containing by weight more than 55% of silicon	5.70	2.20	0.00	0.00	19,111	19,111	19,111	15,017	79	100	79
252329	Portland cement (excl. white)	1.70	0.00	0.00	0.00	14,995	14,995	14,995	14,993	100	100	100
621210	Brassieres	6.50	5.20	0.00	0.00	15,707	15,707	15,707	14,978	95	100	95
610610	Women's or girls' blouses, etc, of cotton, knitted or crocheted	12.00	9.60	0.00	0.00	15,392	15,392	15,392	14,811	96	100	96
611120	Babies' garments, etc, of cotton, knitted or crocheted	10.45	8.35	0.00	0.00	14,902	14,902	14,902	14,761	99	100	99
240110	Tobacco, not stemmed/stripped	.	0.14	0.00	0.00	17,175	17,175	17,175	14,512	84	100	84
621410	Shawls, scarves, mufflers, mantillas, veils, etc, of silk or silk waste	8.00	6.40	0.00	0.00	14,370	14,370	14,370	14,366	100	100	100
610822	Women's or girls' briefs, etc, of man-made fibres, knitted or crocheted	12.00	9.60	0.00	0.00	14,044	14,044	14,044	13,922	99	100	99
030269	Fresh or chilled fish, nes	12.35	7.80	0.00	0.00	21,398	21,398	20,142	12,952	64	94	61
620331	Men's or boys' jackets and blazers of wool or fine animal hair	12.00	9.60	0.00	0.00	12,173	12,173	12,173	12,140	100	100	100
630251	Table linen of cotton (excl. knitted or crocheted)	12.00	9.60	0.00	0.00	13,169	13,157	13,157	11,903	90	100	90
520942	Denim, with >=85% cotton, >=200g/m2	8.00	6.40	0.00	0.00	11,823	11,823	11,823	10,870	92	100	92
200830	Citrus fruit, prepared or preserved (excl. those of 20.06 and 20.07)	27.62	15.49	0.00	0.00	10,070	10,070	10,070	10,058	100	100	100
071080	Vegetables, frozen, nes	13.80	10.30	0.00	0.00	10,005	9,874	9,874	8,509	86	100	86

Abbreviations: ACP, African, Caribbean and Pacific States; GSP, generalized system of preferences; HS, harmonized system; LDC, least developed country; MFN, most favoured nation.

Table 2

Preference margins and preference utilization rates for United States (AGOA) imports from Eastern and Southern Africa (2006)

Products		Tariff duty rates (percentage)					Value of imports from ESA (thousands of dollars)				
HS code	**Description**	**MFN applied**	**GSP**	**LDC**	**AGOA**	**AGOA preference margin**	**Total**	**MFN dutiable**	**Covered by preference scheme**	**Receiving preferential treatment**	**Preference utilization (percentage)**
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	All products					0.00	**10,199,145**	**9,772,306**	**9,705,537**	**5,363,965**	**55**
270900	Petroleum oils and oils obtained from bituminous minerals, crude	0.28	.	0.00	0.00	0.28	8,440,848	8,440,848	8,440,848	**4,311,698**	**51**
620462	Women's or girls' trousers, breeches, etc, of cotton	8.15	.	.	0.00	8.15	256,459	256,459	256,459	**249,288**	**97**
620342	Men's or boys' trousers, breeches, etc, of cotton	8.97	.	.	0.00	8.97	145,288	145,288	145,288	**143,815**	**99**
611020	Jerseys, pullovers, etc, of cotton, knitted or crocheted	10.75	.	.	0.00	10.75	129,079	129,079	129,079	**121,638**	**94**
620520	Men's or boys' shirts of cotton	14.20	.	.	0.00	14.20	80,808	80,808	80,808	**79,278**	**98**
611030	Jerseys, pullovers, etc, of man-made fibres, knitted or crocheted	15.33	.	.	0.00	15.33	56,182	56,182	56,182	**55,737**	**99**
610462	Women's or girls' trousers, etc, of cotton, knitted or crocheted	12.60	.	.	0.00	12.60	31,479	31,479	31,479	**28,829**	**92**
610910	T-shirts, singlets and other vests, of cotton, knitted or crocheted	16.50	.	.	0.00	16.50	29,659	29,659	29,659	**26,490**	**89**
610510	Men's or boys' shirts of cotton, knitted or crocheted	19.70	.	.	0.00	19.70	22,317	22,317	22,317	**21,364**	**96**
610343	Men's or boys' trousers, etc, of synthetic fibres, knitted or crocheted	20.76	.	.	0.00	20.76	19,367	19,367	19,367	**19,260**	**99**
610463	Women's or girls' trousers, etc, of synthetic, knitted or crocheted	19.33	.	.	0.00	19.33	16,907	16,907	16,907	**16,907**	**100**
620463	Women's or girls' trousers, breeches, etc, of synthetic fibres	11.80	.	.	0.00	11.80	15,994	15,994	15,994	**15,675**	**98**
620343	Men's or boys' trousers, breeches of synthetic fibres	12.97	.	.	0.00	12.97	13,932	13,932	13,932	**13,331**	**96**
610990	T-shirts, singlets, etc, of other textiles, nes, knitted or crocheted	14.05	.	.	0.00	14.05	11,702	11,702	11,702	**11,521**	**98**
610610	Women's or girls' blouses, etc, of cotton, knitted or crocheted	19.70	.	.	0.00	19.70	10,035	10,035	10,035	**9,353**	**93**
610342	Men's or boys' trousers, etc, of cotton, knitted or crocheted	13.20	.	.	0.00	13.20	10,742	10,742	10,742	**8,847**	**82**
080290	Other nuts, fresh or dried, nes	1.53	0.00	0.00	0.00	1.53	13,873	13,873	13,374	**8,740**	**65**
611420	Garments of cotton, knitted or crocheted,	10.80	.	.	0.00	10.80	8,023	8,023	8,023	**7,983**	**100**
610130	Men's or boys' coats, etc, of man-made fibres, knitted or crocheted	14.89	.	.	0.00	14.89	7,076	7,076	7,076	**6,769**	**96**
240120	Tobacco, partly or wholly stemmed/stripped	61.56	0.00	0.00	0.00	61.56	45,591	45,591	45,557	**5,914**	**13**
610520	Men's or boys' shirts of man-made fibres, knitted or crocheted	22.80	.	.	0.00	22.80	5,892	5,892	5,892	**5,848**	**99**
620920	Babies' garments and clothing accessories of cotton	12.72	.	.	0.00	12.72	5,795	5,795	5,795	**5,626**	**97**
611120	Babies' garments, etc, of cotton, knitted or crocheted	14.00	.	.	0.00	14.00	5,272	5,272	5,272	**5,121**	**97**
610792	Men's or boys' dressing gowns, of man-made fibres, knitted or crocheted	14.90	.	.	0.00	14.90	4,889	4,889	4,889	**4,889**	**100**

Products		Tariff duty rates (percentage)					Value of imports from ESA (thousands of dollars)				
HS code	Description	MFN applied	GSP	LDC	AGOA	AGOA preference margin	Total	MFN dutiable	Covered by preference scheme	Receiving preferential treatment	Preference utilization (percentage)
620530	Men's or boys' shirts of man-made fibres	20.86	.	.	0.00	20.86	4,723	4,723	4,723	**4,573**	**97**
610220	Woman's or girls' coats, etc, of cotton, knitted or crocheted	15.90	.	.	0.00	15.90	4,937	4,937	4,937	**4,129**	**84**
160414	Prepared or preserved tuna, skipjack and Atlantic bonito	10.12	0.00	0.00	0.00	10.12	3,934	3,934	3,934	**3,934**	**100**
610230	Woman's or girls' coats, etc, of man-made fibres, knitted or crocheted	18.02	.	.	0.00	18.02	3,866	3,866	3,866	**3,787**	**98**
610712	Men's or boys' underpants, etc, of man-made fibres, knitted or crocheted	14.90	.	.	0.00	14.90	3,757	3,757	3,757	**3,756**	**100**
620452	Skirts and divided skirts of cotton	8.10	.	.	0.00	8.10	3,697	3,697	3,697	**3,374**	**91**
611430	Garments of man-made fibres, knitted or crocheted, nes	25.03	.	.	0.00	25.03	3,180	3,180	3,180	**3,178**	**100**
610120	Men's or boys' coats, etc, of cotton, knitted or crocheted	15.90	.	.	0.00	15.90	3,014	3,014	3,014	**3,013**	**100**
611212	Tracksuits of synthetic fibres, knitted or crocheted	28.20	.	.	0.00	28.20	2,777	2,777	2,777	2,777	**100**
620640	Women's or girls' blouses, shirts, etc, of man-made fibres	14.52	.	.	0.00	14.52	2,353	2,353	2,353	**2,309**	**98**
610620	Women's or girls' blouses, etc, of man-made fibres, knitted or crocheted	23.45	.	.	0.00	23.45	2,197	2,197	2,197	**2,196**	**100**
620630	Women's or girls' blouses, shirts, etc, of cotton	9.30	.	.	0.00	9.30	2,324	2,324	2,324	**2,087**	**90**
611130	Babies' garments, etc, of synthetic fibres, knitted or crocheted	27.64	.	.	0.00	27.64	1,872	1,872	1,872	**1,872**	**100**
620349	Men's or boys' trousers, breeches of other textiles, nes	10.28	.	.	0.00	10.28	1,767	1,767	1,767	**1,766**	**100**
620469	Women's or girls' trousers, breeches, etc, of other textiles,	11.13	.	.	0.00	11.13	1,800	1,800	1,800	**1,753**	**97**
620791	Men's or boys' singlets... dressing gowns, etc, of cotton	7.25	.	.	0.00	7.25	1,603	1,603	1,603	**1,599**	**100**
620711	Men's or boys' underpants and briefs of cotton	6.10	.	.	0.00	6.10	1,439	1,439	1,439	1,404	**98**
610453	Skirts and divided skirts of synthetic fibres, knitted or crocheted	15.45	.	.	0.00	15.45	1,265	1,265	1,265	**1,262**	**100**
621133	Men's or boys' garments of man-made fibres, nes	16.00	.	.	0.00	16.00	1,309	1,309	1,309	**1,255**	**96**
060310	Fresh cut flowers and buds	5.70	0.00	.	0.00	5.70	1,396	1,396	1,324	**1,225**	**93**
200830	Citrus fruit, prepared or preserved (excl. those of 20.06 and 20.07)	5.14	0.00	0.00	0.00	5.14	1,307	1,307	1,307	**1,164**	**89**
610899	Women's or girls' dressing gowns of other textiles, knitted or crocheted	4.30	.	.	0.00	4.30	1,044	1,044	1,044	**1,044**	**100**
611300	Garments made up of knitted or crocheted fabrics of 59.03, 59.06,	5.45	.	.	0.00	5.45	919	919	919	**919**	**100**
610822	Women's or girls' briefs, etc, of man-made fibres, knitted or crocheted	11.95	.	.	0.00	11.95	862	862	862	**802**	**93**
620432	Women's or girls' jackets of cotton	6.10	.	.	0.00	6.10	798	798	798	**772**	**97**
620292	Woman's or girls' anoraks, wind-cheaters, etc, of cotton	6.50	.	.	0.00	6.50	1,931	1,931	1,931	**746**	**39**
610832	Women's or girls' pyjamas, etc, of man-made fibres, knitted or crocheted	16.00	.	.	0.00	16.00	605	605	605	**605**	**100**
621111	Men's or boys' swimwear	13.10	.	.	0.00	13.10	574	574	574	**558**	**97**

Products		Tariff duty rates (percentage)					Value of imports from ESA (thousands of dollars)				
HS code	Description	MFN applied	GSP	LDC	AGOA	AGOA preference margin	Total	MFN dutiable	Covered by preference scheme	Receiving preferential treatment	Preference utilization (percentage)
610452	Skirts and divided skirts of cotton, knitted or crocheted	8.30	.	.	0.00	8.30	703	703	703	**526**	**75**
621132	Men's or boys' garments of cotton, nes	8.10	.	.	0.00	8.10	508	508	508	**501**	**99**
621143	Women's or girls' garments of man-made fibres, nes	16.00	.	.	0.00	16.00	479	479	479	**475**	**99**
610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	7.40	.	.	0.00	7.40	385	385	385	**375**	**97**
950790	Line fish tackle nes,f/landing,b/f and sim nets,dec birds and sim hunt or shoot	6.46	0.00	0.00	0.00	6.46	978	978	974	**355**	**36**
610432	Women's or girls' jackets, of cotton, knitted or crocheted	14.90	.	.	0.00	14.90	291	291	291	**291**	**100**
620193	Men's or boys' anoraks, wind-cheaters, etc, of man-made fibres	15.21	.	.	0.00	15.21	282	282	282	**279**	**99**
610722	Men's or boys' pyjamas of man-made fibres, knitted or crocheted	16.00	.	.	0.00	16.00	272	272	272	**272**	**100**
620293	Woman's or girls' anoraks, wind-cheaters, etc, of man-made fibres	15.07	.	.	0.00	15.07	270	270	270	**259**	**96**
610839	Women's or girls' nighties, etc, of other textiles, knitted or crocheted	4.30	.	.	0.00	4.30	227	227	227	**227**	**100**
620433	Women's or girls' jackets of synthetic fibres	14.79	.	.	0.00	14.79	243	243	243	**210**	**86**
611241	Women's or girls' swimwear of synthetic fibres, knitted or crocheted	24.90	.	.	0.00	24.90	200	200	200	**200**	**100**
610349	Men's or boys' trousers, etc, of other textiles, knitted or crocheted	12.08	.	.	0.00	12.08	184	184	184	**184**	**100**
460210	Articles of vegetable plaiting materials, articles of loofah	4.91	0.00	.	0.00	4.91	684	560	255	**182**	**71**
621142	Women's or girls' garments of cotton, nes	8.10	.	.	0.00	8.10	216	216	216	**181**	**84**
620444	Dresses of artificial fibres	11.93	.	.	0.00	11.93	176	176	176	**176**	**100**
620443	Dresses of synthetic fibres	12.32	.	.	0.00	12.32	240	240	240	**170**	**71**
620891	Women's or girls' dressing gowns, panties, etc, of cotton	9.35	.	.	0.00	9.35	172	172	172	**166**	**97**
620332	Men's or boys' jackets and blazers of cotton	6.10	.	.	0.00	6.10	186	186	186	**153**	**82**
610442	Dresses of cotton, knitted or crocheted	11.50	.	.	0.00	11.50	161	161	161	**152**	**94**
621220	Girdles and panty-girdles	20.00	.	.	0.00	20.00	152	152	152	**152**	**100**
610791	Men's or boys' dressing gowns, etc, of cotton, knitted or crocheted	8.70	.	.	0.00	8.70	111	111	111	**111**	**100**
611090	Jerseys, pullovers, etc, of other textiles, knitted or crocheted	3.45	.	.	0.00	3.45	118	118	118	**109**	**92**
620442	Dresses of cotton	8.57	.	.	0.00	8.57	479	479	479	**107**	**22**

Abbreviations: ACP, African, Caribbean and Pacific States; AGOA, African Growth and Opportunity Act; GSP, generalized system of preferences; HS, harmonized system; LDC, least developed country; MFN, most favoured nation.

Table .3

Preference margins and preference utilization rates for European Union imports from Eastern and Southern Africa (2007)

Products		Tariff duty rates (percentage)				Value of imports from ESA (thousands of dollars)						
HS code	Description	MFN applied	GSP	LDC	ACP	Total	MFN dutiable	Covered by preference scheme	Receiving preferential treatment	Preference utilization (percentage)	Potential coverage (percentage)	Utility rate (percentage)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	All products	.	.	.	.	**55'843'393**	**13'326'000**	**12'977'723**	**9'011'335**	**69.4**	**97.4**	**67.6**
271019	Other	2.30	0.00	0.00	0.00	2'106'054	1'933'088	1'933'088	1'220'369	63.1	100.0	63.1
060311	*-- Roses	8.50	5.00	0.00	0.00	909'382	861'608	861'608	832'204	96.6	100.0	96.6
170111	Raw cane sugar, in solid form	119.69	.	95.69	.	529'502	529'502	529'502	469'082	88.6	100.0	88.6
160414	Prepared or preserved tuna, skipjack and Atlantic bonito	24.25	20.75	0.00	0.00	458'150	458'150	458'150	449'994	98.2	100.0	98.2
310210	Urea	6.50	.	0.00	0.00	414'522	414'522	414'522	399'226	96.3	100.0	96.3
610910	T-shirts, singlets and other vests, of cotton, knitted or crocheted	12.00	9.60	0.00	0.00	428'465	428'370	428'370	388'520	90.7	100.0	90.7
240120	Tobacco, partly or wholly stemmed/stripped	Specific	6.08	0.00	0.00	350'364	312'338	312'338	285'454	91.4	100.0	91.4
271112	Propane, liquefied	1.57	0.00	0.00	0.00	569'701	569'701	569'701	270'314	47.4	100.0	47.4
740811	Wire of refined copper of which the max cross sectional dimension > 6mm	4.80	1.30	0.00	0.00	263'113	263'113	263'113	248'102	94.3	100.0	94.3
070820	Beans, fresh or chilled	10.40	6.90	0.00	0.00	222'894	220'788	220'788	176'092	79.8	100.0	79.8
760120	Aluminium unwrought, alloyed	6.00	.	0.00	0.00	178'023	178'023	176'051	172'751	98.1	98.9	97.0
854430	Ignition wiring sets and oth wiring sets of a kind used in vehicles, aircraft	1.85	0.00	0.00	0.00	150'701	150'701	150'701	149'484	99.2	100.0	99.2
030419	*-- Other fish	13.18	9.67	0.00	0.00	233'308	233'018	233'018	148'818	63.9	100.0	63.9
290511	Methanol (methyl alcohol)	5.50	2.00	0.00	0.00	164'969	154'299	154'299	146'211	94.8	100.0	94.8
030613	Frozen shrimps and prawns	13.20	6.26	0.00	0.00	140'365	140'365	140'365	140'009	99.7	100.0	99.7
060319	*-- Other ,flowers	8.50	5.00	0.00	0.00	146'428	137'026	137'026	123'502	90.1	100.0	90.1
720241	Ferro-chromium containing by weight more than 4% of carbon	4.00	0.00	0.00	0.00	125'431	125'431	125'431	114'130	91.0	100.0	91.0

Products		Tariff duty rates (percentage)				Value of imports from ESA (thousands of dollars)						
HS code	Description	MFN applied	GSP	LDC	ACP	Total	MFN dutiable	Covered by preference scheme	Receiving preferential treatment	Preference utilization (percentage)	Potential coverage (percentage)	Utility rate (percentage)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
611020	Jerseys, pullovers, etc, of cotton, knitted or crocheted	12.00	9.60	0.00	0.00	103'653	103'570	103'570	98'058	94.7	100.0	94.7
620342	Men's or boys' trousers, breeches, etc, of cotton	12.00	9.60	0.00	0.00	110'060	109'749	109'749	93'974	85.6	100.0	85.6
070190	Other potatoes, fresh or chilled	8.97	5.47	0.00	0.00	103'044	103'044	103'044	93'564	90.8	100.0	90.8
252310	Cement clinkers	1.70	0.00	0.00	0.00	96'140	96'140	96'140	92'850	96.6	100.0	96.6
760611	Plates, sheets or strip, aluminium, not alloyed, rectangular or square, >0.2mm thick	7.50	4.00	0.00	0.00	87'725	87'725	87'725	87'725	100.0	100.0	100.0
080510	Oranges, fresh or dried	19.87	.	0.00	7.07	105'212	104'586	104'586	86'695	82.9	100.0	82.9
611011	Of wool	11.50	9.20	0.00	0.00	84'990	84'990	84'990	81'640	96.1	100.0	96.1
390120	Polyethylene having a specific gravity >=0.94, in primary forms	3.25	3.00	0.00	0.00	123'649	123'017	123'017	81'450	66.2	100.0	66.2
611012	Of Kashmir (cashmere) goats	12.00	9.60	0.00	0.00	81'805	81'775	81'774	80'531	98.5	100.0	98.5
070810	Peas, fresh or chilled	8.00	4.50	0.00	0.00	85'340	85'340	85'340	78'788	92.3	100.0	92.3
080610	Fresh grapes	12.37	8.87	0.00	.	95'344	93'147	91'095	77'605	85.2	97.8	83.3
620520	Men's or boys' shirts of cotton	12.00	9.60	0.00	0.00	86'854	82'653	82'653	74'807	90.5	100.0	90.5
271011	Light oils and preparations	3.92	0.00	0.00	0.00	2'003'980	2'003'980	2'003'980	70'943	3.5	100.0	3.5
060210	Unrooted cuttings and slips	2.00	0.00	0.00	0.00	72'104	72'104	72'104	70'126	97.3	100.0	97.3
060312	*-- Carnations	8.50	5.00	0.00	0.00	77'040	72'012	72'012	66'208	91.9	100.0	91.9
610510	Men's or boys' shirts of cotton, knitted or crocheted	12.00	9.60	0.00	0.00	71'130	71'130	71'130	62'854	88.4	100.0	88.4
620462	Women's or girls' trousers, breeches, etc, of cotton	12.00	9.60	0.00	0.00	67'256	67'256	67'256	60'559	90.0	100.0	90.0
870830	Brakes	4.00	0.00	0.00	0.00	60'430	60'430	60'430	58'330	96.5	100.0	96.5
200820	Pineapples, prepared or preserved (excl. those of 20.06 and 20.07)	22.80	14.39	0.00	0.00	64'740	64'740	64'740	56'605	87.4	100.0	87.4
392210	Baths, shower-baths and wash-basins, of plastics	6.50	0.00	0.00	0.00	65'130	65'130	65'130	48'978	75.2	100.0	75.2

Products		Tariff duty rates (percentage)				Value of imports from ESA (thousands of dollars)						
HS code	Description	MFN applied	GSP	LDC	ACP	Total	MFN dutiable	Covered by preference scheme	Receiving preferential treatment	Preference utilization (percentage)	Potential coverage (percentage)	Utility rate (percentage)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
691090	Ceramic sinks, wash basins etc and similar sanitary fixtures nes	7.00	2.40	0.00	0.00	51'472	51'472	51'472	46'043	89.5	100.0	89.5
630231	Bed linen of cotton (excl. printed, knitted or crocheted)	12.00	9.60	0.00	0.00	47'250	47'235	47'094	45'499	96.6	99.7	96.3
030429	*-- Other	9.63	5.74	0.00	0.00	58'684	58'320	58'320	45'466	78.0	100.0	78.0
220710	Undenatured ethyl alcohol, of alcoholic strength >=80%	32.99	.	0.00	0.00	57'974	57'901	57'901	42'902	74.1	100.0	74.1
630260	Toilet linen and kitchen linen, of terry fabrics, of cotton	12.00	9.60	0.00	0.00	49'942	49'861	49'861	42'519	85.3	100.0	85.3
760511	Wire, aluminium, not alloyed, with a max cross sectional dimension > 7mm	7.50	4.00	0.00	0.00	41'342	41'342	41'342	41'342	100.0	100.0	100.0
520942	Denim, with >=85% cotton, >=200g/m2	8.00	6.40	0.00	0.00	39'562	39'562	39'562	35'576	89.9	100.0	89.9

Abbreviations: ACP, African, Caribbean and Pacific States; GSP, generalized system of preferences; HS, harmonized system; LDC, least developed country; MFN, most favoured nation.

Table 4

Preference margins and preference utilization rates for United States (AGOA) imports from Eastern and Southern Africa (2007)

HS	Description	MFN applied	GSP	LDC)	AGOA		Total	MFN dutiable	Covered by preferential scheme	Receiving preferential treatment	Preference utilization (percentage)	Potential coverage (percentage)	Utility rate (percent-age)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	All products	.	.	.	.	.	**14'153'397**	**13'450'877**	**13'393'663**	**5'844'530**	**43.6**	**99.6**	**43.5**
270900	Petroleum oils and oils obtained from bituminous minerals, crude	Specific	.	0.00	0.00	.	12'152'475	12'152'475	12'152'475	4'836'482	39.8	100.0	39.8
620462	Women's or girls' trousers, breeches, etc, of cotton	8.15	.	.	0.00	8.15	225'206	225'206	225'206	223'589	99.3	100.0	99.3
271019	Other	6.92	0.00	0.00	0.00	6.92	290'592	290'592	290'592	152'773	52.6	100.0	52.6
620342	Men's or boys' trousers, breeches, etc, of cotton	8.97	.	.	0.00	8.97	118'152	118'152	118'152	115'360	97.6	100.0	97.6
611020	Jerseys, pullovers, etc, of cotton, knitted or crocheted	10.75	.	.	0.00	10.75	94'794	94'794	94'659	92'594	97.8	99.9	97.7
620520	Men's or boys' shirts of cotton	14.20	.	.	0.00	14.20	84'710	84'710	84'710	83'632	98.7	100.0	98.7
610510	Men's or boys' shirts of cotton, knitted or crocheted	19.70	.	.	0.00	19.70	43'772	43'772	43'772	42'776	97.7	100.0	97.7
611030	Jerseys, pullovers, etc, of man-made fibres, knitted or crocheted	15.32	.	.	0.00	15.32	43'304	43'304	43'304	42'468	98.1	100.0	98.1
610462	Women's or girls' trousers, etc, of cotton, knitted or crocheted	12.60	.	.	0.00	12.60	39'861	39'861	39'861	39'671	99.5	100.0	99.5
610910	T-shirts, singlets and other vests, of cotton, knitted or crocheted	16.50	.	.	0.00	16.50	20'505	20'505	20'505	19'593	95.6	100.0	95.6
620463	Women's or girls' trousers, breeches, etc, of synthetic fibres	11.80	.	.	0.00	11.80	18'409	18'409	18'409	18'006	97.8	100.0	97.8
620343	Men's or boys' trousers, breeches of synthetic fibres	13.12	.	.	0.00	13.12	19'133	19'133	19'133	17'254	90.2	100.0	90.2
610610	Women's or girls' blouses, etc, of cotton, knitted or crocheted	19.70	.	.	0.00	19.70	16'387	16'387	16'387	16'066	98.0	100.0	98.0
610463	Women's or girls' trousers, etc, of synthetic, knitted or crocheted	19.33	.	.	0.00	19.33	14'575	14'575	14'575	14'541	99.8	100.0	99.8

HS	Description	MFN applied	GSP	LDC)	AGOA		Total	MFN dutiable	Covered by preferential scheme	Receiving preferential treatment	Preference utilization (percentage)	Potential coverage (percentage)	Utility rate (percent-age)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
610343	Men's or boys' trousers, etc, of synthetic fibres, knitted or crocheted	21.11	.	.	0.00	21.11	14'191	14'191	14'191	14'003	98.7	100.0	98.7
620530	Men's or boys' shirts of man-made fibres	21.06	.	.	0.00	21.06	10'751	10'751	10'751	10'618	98.8	100.0	98.8
610520	Men's or boys' shirts of man-made fibres, knitted or crocheted	22.80	.	.	0.00	22.80	9'876	9'876	9'876	9'324	94.4	100.0	94.4
240120	Tobacco, partly or wholly stemmed/stripped	65.42	0.00	0.00	0.00	65.42	42'782	42'782	42'782	7'840	18.3	100.0	18.3
620920	Bables' garments and clothing accessories of cotton	12.73	.	.	0.00	12.73	7'716	7'716	7'716	7'286	94.4	100.0	94.4
611120	Babies' garments, etc, of cotton, knitted or crocheted	14.00	.	.	0.00	14.00	6'201	6'201	6'201	6'017	97.0	100.0	97.0
611012	Of Kashmir (cashmere) goats	10.00	.	.	0.00	10.00	5'903	5'903	5'903	5'817	98.5	100.0	98.5
610990	T-shirts, singlets, etc, of other textiles, nes, knitted or crocheted	14.05	.	.	0.00	14.05	5'113	5'113	5'113	5'050	98.8	100.0	98.8
160414	Prepared or preserved tuna, skipjack and Atlantic bonito	10.10	0.00	0.00	0.00	10.10	16'656	16'656	16'656	4'473	26.9	100.0	26.9
620630	Women's or girls' blouses, shirts, etc, of cotton	9.30	.	.	0.00	9.30	4'714	4'714	4'714	4'319	91.6	100.0	91.6
610342	Men's or boys' trousers, etc, of cotton, knitted or crocheted	13.20	.	.	0.00	13.20	4'420	4'420	4'420	4'318	97.7	100.0	97.7
611420	Garments of cotton, knitted or crocheted, nes	10.80	.	.	0.00	10.80	3'944	3'944	3'944	3'942	99.9	100.0	99.9
610130	Men's or boys' coats, etc, of man-made fibres, knitted or crocheted	15.53	.	.	0.00	15.53	3'423	3'423	3'423	3'404	99.4	100.0	99.4
610230	Woman's or girls' coats, etc, of man-made fibres, knitted or crocheted	18.70	.	.	0.00	18.70	3'411	3'411	3'411	3'237	94.9	100.0	94.9
611430	Garments of man-made fibres, knitted or crocheted, nes	25.03	.	.	0.00	25.03	3'256	3'256	3'253	3'218	98.9	99.9	98.8
610453	Skirts and divided skirts of synthetic fibres, knitted or	15.45	.	.	0.00	15.45	3'146	3'146	3'146	3'146	100.0	100.0	100.0

HS	Description	MFN applied	GSP	LDC)	AGOA		Total	MFN dutiable	Covered by preferential scheme	Receiving preferential treatment	Preference utilization (percentage)	Potential coverage (percentage)	Utility rate (percent-age)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	crocheted												
060311	*-- Roses	6.80	.	.	0.00	6.80	3'166	3'166	3'166	3'118	98.5	100.0	98.5
610620	Women's or girls' blouses, etc, of man-made fibres, knitted or crocheted	23.45	.	.	0.00	23.45	2'737	2'737	2'737	2'728	99.7	100.0	99.7
620349	Men's or boys' trousers, breeches of other textiles, nes	10.28	.	.	0.00	10.28	2'466	2'466	2'466	2'466	100.0	100.0	100.0
610120	Men's or boys' coats, etc, of cotton, knitted or crocheted	15.90	.	.	0.00	15.90	2'202	2'202	2'202	2'178	98.9	100.0	98.9
611130	Babies' garments, etc, of synthetic fibres, knitted or crocheted	27.64	.	.	0.00	27.64	1'840	1'840	1'840	1'840	100.0	100.0	100.0
611011	Of wool	16.00	.	.	0.00	16.00	2'919	2'919	2'914	1'734	59.5	99.8	59.4
610220	Woman's or girls' coats, etc, of cotton, knitted or crocheted	15.90	.	.	0.00	15.90	1'581	1'581	1'581	1'560	98.7	100.0	98.7
621143	Women's or girls' garments of man-made fibres, nes	16.00	.	.	0.00	16.00	1'541	1'541	1'541	1'540	99.9	100.0	99.9
611780	Other clothing accessories, knitted or crocheted, nes	7.54	0.00	0.00	0.00	7.54	1'508	1'508	1'508	1'504	99.7	100.0	99.7
620452	Skirts and divided skirts of cotton	8.10			0.00	8.10	1'550	1'550	1'550	1'503	97.0	100.0	97.0
200830	Citrus fruit, prepared or preserved (excl. those of 20.06 and 20.07)	5.46	0.00	0.00	0.00	5.46	1'422	1'422	1'422	1'378	96.9	100.0	96.9
610712	Men's or boys' underpants, etc, of man-made fibres, knitted or crocheted	14.90	.	.	0.00	14.90	1'376	1'376	1'376	1'376	100.0	100.0	100.0
620461	Women's or girls' trousers, breeches, etc, of wool or fine animal hair	10.60	.	.	0.00	10.60	1'241	1'241	1'241	1'238	99.8	100.0	99.8
621142	Women's or girls' garments of cotton, nes	8.10	.	.	0.00	8.10	1'122	1'122	1'122	1'009	89.9	100.0	89.9
950790	Line fish tackle nes,f/landing,b/f and sim nets,dec birds and sim hunt or shoot	6.46	0.00	0.00	0.00	6.46	1'060	1'060	1'017	926	91.1	95.9	87.4

HS	Description	MFN applied	GSP	LDC)	AGOA		Total	MFN dutiable	Covered by preferential scheme	Receiving preferential treatment	Preference utilization (percentage)	Potential coverage (percentage)	Utility rate (percent-age)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
620640	Women's or girls' blouses, shirts, etc, of man-made fibres	14.68	.	.	0.00	14.68	802	802	802	752	93.8	100.0	93.8
611212	Tracksuits of synthetic fibres, knitted or crocheted	28.20	.	.	0.00	28.20	731	731	731	731	100.0	100.0	100.0
621210	Brassieres	10.32	.	.	0.00	10.32	688	688	688	685	99.6	100.0	99.6
610443	Dresses of synthetic fibres, knitted or crocheted	15.45	.	.	0.00	15.45	585	585	585	585	100.0	100.0	100.0

4. A multi-country survey of selected sectors – assessment by firms of preference utilization and potential impacts of preference erosion

Based on an average trade preference utilization analysis (see chapter 3) carried out in this study and previously by UNCTAD, trade preferences are most widely used in the following countries and sectors:

Country	*Sector*
1. Kenya	Horticulture, flowers and clothing
2. Lesotho	Textiles
3. Madagascar	Vanilla, fisheries, textiles and clothing
4. Mauritius	Fisheries, textiles and clothing
5. Malawi	Tobacco
6. Seychelles	Fisheries
7. Swaziland	Textiles and citrus
8. United Republic of Tanzania	Fisheries, flowers, textiles and clothing
9. Uganda	Fisheries and flowers
10. Zambia	Horticulture and flowers

Other countries that utilize trade preferences, but where impacts of preference erosion are likely to be small because of very low trade volumes of less than $1 million and where trade data are relatively less readily available, were purposively excluded from the multi-country survey. Thus, over and above considerations of preference utilization among countries, the 10 countries listed above were selected for this study because of data availability and rather stable volumes of trade flows.

The survey involved developing and administering a structured questionnaire (see annex 2) with a number of industry-specific subsections. The questionnaire was designed to be administered by an interviewer and specifically crafted to capture a mix of qualitative and quantitative data. Analysis of the survey data involved mainly descriptive statistics and qualitative analysis.

The questionnaire was extensively informed by the inputs of in-country consultants who were mobilized in each of the focus countries. Interactive training and validation of the questionnaire among the drafter and the interviewers were additional features. The training and interactions took place in two workshops in South Africa, where consultants acquired skills to administer the tool and found an opportunity to provide feedback to the regional team about their country contexts. The interactive workshop was instrumental in determining the feasibility and practical challenges of applying the questionnaire in the focus countries.

The workshops generated background information on the structural set-ups of the sectors selected in each country. This was important for devising sector-specific firm sampling strategies. The approach to determining the samples of firms in each sector was done at the country level. Country consultants purposively selected *n* number of firms, whose responses were representative of the whole industry. Representativeness was determined according to a process of rigorous consultation with various experts on domestic and international trade, including public offices such as Ministries of Commerce or Trade and Chambers of Trade or Commerce; umbrella organizations such as export or business associations; and/or independent institutions such as research institutions, universities or statistical bureaus. The criteria employed included annual sales turnover and market share over three years, labour employment records, participation in sectoral events (proxy for visibility) and anecdotal views of the range of experts about including or excluding certain firms. As expected, the sample of *n* firms per country and per sector varies considerably. Ultimately, the survey aimed to cover the numbers of firms presented in table 5.

Table 5
Survey countries and industries: universe and samples

Country	HS code	Product	Universe (total number of exporting firms)	Number of firms sampled	Firms sampled out of total universe (percentage)
Kenya	070820	Beans, other beans, unfrozen beans	31	10	32
	070810	Peas			
	200820	Pineapples			
	060310	Fresh flowers	27	13	48
	610910, 611020, 611011, 611012, 620520, 620342, 610510	Textiles	20	10	50
Lesotho			-	-	-
Madagascar	160414	Tuna fish	7	6	86
	030613	Frozen shrimps			
	090500	Vanilla	11	8	73
	610910, 611020, 611011, 611012, 620520, 620342, 610510	Textiles	23	12	52
Mauritius	610910, 611020, 611011, 611012, 620520, 620342, 610510	Textiles	217	8	4
	160414	Tuna	-	4	-
	030613	Shrimps and prawns	-		-
Malawi	240120	Tobacco	7	7	100
Seychelles	160414	Tuna fish	1	1	100
Swaziland	080510 (for oranges)	Oranges (citrus)	5	5	100
United Republic of Tanzania	060310	Fresh flowers	22	2	9
	030420	Fresh fish	2	1	50
	610910, 611020, 611011, 611012, 620520, 620342, 610510	Textiles	2	1	50
Uganda	030420	Fresh fish	14	5	36
	060310	Fresh flowers	19	8	42
Zambia	060310	Fresh flowers	18	6	33
	070810	Peas	4	4	100
	070820	Beans, other beans, unfrozen beans			

In some cases, the expected number of sample firms was not covered owing to non-responses from the firms. The series of Results summary tables (annex 1) provides, among other survey results, the number of firms that were actually surveyed and who either partially or fully responded to the interviewer-administered questionnaire.

5. Multi-country survey results: country assessment by sector or industry

This section presents the main results of the multi-country survey by country and sector. The country sequence is presented in alphabetical order. Within each country presentation, the results are organized by theme, with the following four or five themes covered, depending on the sectors selected for the country:

- Preferences and preference erosion;
- Origin and trade facilitation;
- Certificates of origin;
- Special (sector-specific) themes;
- Non-tariff barriers and related issues.

The relevant results of each country's sectors are presented under each of the above-mentioned thematic areas.

The survey makes reference to ACP preferences, since at the time of the field survey (2008), the EC preferences were still in transition from the former Cotonou regime to the market-access regulation that continued to apply the ACP preferences after 2008 for those countries that had initialled the Interim Economic Partnership Agreements (IEPA).

5.1 Kenya

The survey in Kenya covered a total of 18 firms from three sectors, namely flowers (three firms), horticulture (seven firms), and textiles and clothing (eight firms).

Preferences and preference erosion

Horticulture

Preference margin in the EC market: 8.5 per cent for fresh flowers, 8 per cent for peas and beans.

Of the seven horticulture firms covered in the survey, five reported that upon establishment, they had been beneficiaries of preferences in their respective markets. One firm indicated it had not been a beneficiary upon establishment, while another did not respond. Six of the seven firms surveyed were beneficiaries of preferences under ACP, while one reported not exporting under ACP. Two firms reported exporting under the GSP regime and one, under AGOA and COMESA.

Three of the seven horticulture firms surveyed reported that they were aware of the preference margin they enjoyed in their respective markets. Two firms said that they benefited from a preference margin of between 1 and 3 per cent in the European Union market, while one indicated benefiting from a preference margin of over 10 per cent in the COMESA market.

It therefore appears that while firms claimed to be aware of the magnitude of the preference margin, there was a misperception since the preference margin was larger.

Six firms indicated that trade preferences were the most important factor in sustaining their export operations in their various markets. Indeed, the one firm that did not consider trade preferences to be the most important element did indicate preferences to be an essential factor. Thus, the seven firms surveyed were unanimous in their conviction that trade preferences were key to determining export operations.

Similarly, the survey found that six firms considered trade preferences to be the most important factor in sustaining business relations with their importers or buyers abroad, whereas one deemed it to be very important. Moreover, the firms generally anticipated significant adverse impacts on their export operations in the event that trade preferences suffered full erosion. Five firms indicated that they anticipated adverse impacts to a great extent, while two envisaged adverse impacts to a limited extent caused by the erosion of preferences.

Only one firm responded to a question concerning its perception of a commercially meaningful preference margin for its export products to remain attractive on the export market. The firm indicated that the preference margin should be about 25 per cent, which is a very high margin.

Flowers

In the flower sector, three firms were surveyed in Kenya, two of which indicated that they had been beneficiaries of preferences when they had been founded (the remaining one firm did not respond to the question). All three firms in the survey were found be to current beneficiaries of European Union (ACP) trade preferences, as they export to that market. Of the three firms, one firm was also found to utilize trade preferences under both AGOA and GSP.

Two of the three firms reported that they were aware of the trade preferences they enjoyed under the European Union market, identifying a preference margin that ranged from 1–3 per cent. Once again it appears that that there is a misperception about the magnitude of the preference margin.

All three firms indicated that trade preferences were the most important factor sustaining their export operations in their main export markets. Two firms responded to the survey's assessment of the importance of trade preferences in sustaining their business relations with their importers and buyers abroad; both reported that trade preferences were a significant factor in that regard. The two firms also indicated that they expected that they would suffer greatly from adverse impacts if preferences were to be eroded. In their eyes, the commercially meaningful level of preference margin required for their products to remain attractive to their importers was 2.5 per cent on average (one firm indicated 2 per cent, the other, 3 per cent).

Textiles and clothing

Preference margin in the EC market: an average of 10 to 12 per cent

Preference margin in the United States market under AGOA: 6.5 to 25 per cent [5]

The study surveyed eight textile and clothing firms in Kenya. All eight firms indicated that they were beneficiaries of trade preferences when they had been established. All eight firms currently benefit from preferential access to both the European Union (ACP terms) and United States (AGOA) markets, while one derives further benefits from exporting under GSP. In the survey's assessment of the awareness of the preference margin among textile and clothing firms in Kenya, six firms indicated that they were not aware of the magnitudes of preference margins they enjoyed, simply that they had preferential access. One firm did not respond and only one firm gave an estimate of the preference margin: over 10 per cent under AGOA.

The assessment of the importance of trade preferences to sustaining firms' export operations and business relations with main importers and buyers abroad revealed that trade preferences were the most significant factor in determining both export operations and specific relations with importers for seven of the eight firms. For the remaining firm, trade preferences were nonetheless important for determining export operations and determined the firm's specific relations with its main importer only to some extent.

With regard to the impact of potential erosion of preference margins on the firms, all eight firms surveyed stated that such erosion would adversely affect them to a great extent. None of the firms were able to provide an indication of the estimated commercially meaningful preference margin that would be required for their products in order to maintain business relations with their importers.

Origin and trade facilitation
Certificates of origin

The survey also investigated the main elements of the rules of origin, namely origin criteria, documentary evidence and direct consignment rules, as well as domestic procedures on issuance of certificates of origin and related documentation. The investigation focused on outlining the experiences of the firms surveyed in relation to compliance with these elements. The survey also considered the experiences and opinions of firms in relation to various certificate-of-origins rules and procedures. By sector, the survey revealed the information provided below.

Horticulture

Of the seven horticulture firms surveyed, four indicated they had never faced significant difficulties with any of the three key elements of the rules of origin or with domestic procedures for rules of origin to the extent of affecting their utilization of GSP preferences. Origin criteria posed the most difficulty for one firm, while documentary evidence was cited by another. The remaining firm had faced significant problems with domestic procedures on rules of origin. With specific reference to direct consignment, only one out of six responding firms stated that it had encountered difficulties with the rules relating to this requirement.

[5] For details of specific preferential margins at the tariff-lines level, see tables 2 and 3.

As to whether electronic forms of certification would help reduce complications related to the issuance of certificates of origin, six horticulture firms indicated that this would reduce these complications, while one firm said it would not. The average number of days required for issuing a certificate of origin (i.e., GSP Form A and/or Form EUR1) was estimated at 2.3 days by the six responding firms, with one day reported to be the minimum number of days and four days, the maximum..

Of the seven firms surveyed, six indicated that self-certification of the rules of origin would indeed improve export procedures and lower transaction costs. Only two of the six firms were able to provide estimates of the percentage of total transaction costs that they would save by self-certification. One firm stated that the cost savings would amount to 3 per cent of total transaction costs, while another cited 99 per cent.

All seven firms surveyed felt that Kenya did not have any specific needs for technical assistance on rules of origin. Five firms considered the percentage criterion to be the simplest methodology to describe the rules of origin, while two firms pointed to the specific working or processing requirement.

In relation to the required preference margin that would offset their costs of complying with certificate of origin and direct consignment requirements under the European Union, four firms gave estimates, with three indicating this to be between 1 and 3 per cent; one considered it to be 10 per cent or more (the remaining firms were unable to provide an estimate). On the same question in relation to the United States market, none of the firms could provide an estimate. This latest finding was accurate, as in reality the United States do not require certificates of origin.

Regarding the European Union's proposal for exporter registration, all seven firms responded. Six indicated that they would be comfortable with the system, while one stated that it did not know.

Flowers

Two of the three responding firms working in the flower sector reported that the elements of the key rules of origin and the domestic rules of origin procedures had never created any difficulties that were significant enough to affect their utilization of GSP preferences; the remaining firm found that the documentary evidence requirement posed the most significant problems. None of the firms in the flower sector had ever encountered difficulties with the rules relating to direct consignment.

All three firms agreed that electronic forms of certification would help reduce complications related to the issuance of certificates of origin. They indicated that the average number of days required for issuing a certificate of origin (i.e., GSP Form A and/or Form EUR1) was estimated at 3.3 days; the lowest number of days reported was one day, the highest, seven.

All three firms surveyed stated that self-certification of the rules of origin would improve export procedures, and thus reduce transaction costs. Only one firm provided an estimate of savings on total transaction costs derived from self-certification, putting the figure at 3 per cent of total transaction costs.

The two responding firms indicated that Kenya did not have specific requirements for technical assistance relating to rules of origin and that they considered the percentage criterion to be the simplest methodology to describe those rules.

The two firms that reported exporting flowers to the European Union market only estimated the required preference margin that would offset their costs of complying with certificate of origin and direct consignment requirements under the European Union at 1–3 per cent, while the firm exporting under both the European Union and United States markets reported 3–6 per cent in both markets.

Concerning the issue of future proposals for exporter registration by the European Union, two firms responded that they did not know whether they would be comfortable with the system.

Textiles and clothing

In the textiles and clothing sector, of the eight surveyed textile and clothing firms, six responded that they did not face any significant difficulties that affected their utilization of preferences; two expressed documentary evidence as having affected their businesses the most. On firms having taken advantage of facilities regarding donor country content and cumulation, the survey found that seven had benefited from the former, and six, from the latter.

This general finding is in apparent contradiction with the specific findings on the European Union rules of origin presented below. The explanation is that some of the replies above were given in the context of AGOA, where most of the firms have used donor country content. That explains their readiness in complying with rules of origin, especially since they imported fabrics from the United States or another AGOA beneficiary.

Only two firms indicated having encountered any difficulties relating to direct consignment rules. Six out of eight firms stated that an electronic form of certification would help to reduce the complications related to the certificate of origin rule, while the remaining two firms did not respond.

The five firms responding to the survey's assessment of the length of time taken to issue a certificate of origin (related to their respective export destination) indicated that the average number of days was 1.5 days; the maximum reported was 2 days.

Seven of the eight firms considered that self-certification of the rules of origin would improve export procedures and six, that self-certification would reduce their transaction costs significantly. Of the six firms that responded on the potential reductions in transaction costs resulting from self-certification procedures, four provided estimates of the size of cost savings averaging 2.3 per cent of their total transaction costs (the highest cost saving was estimated at 5 per cent of total transaction costs).

For six of the eight firms, the specific working or processing requirement was the simplest methodology for describing the rules of origin in relation to their product, while for one firm, the change of tariff heading, or classification, was the simplest. One firm did not respond.

The survey also sought to obtain information on the firms' estimates of the magnitude of preference margin needed to offset the costs of complying with certificate of origin or direct shipment requirements in the European Union and the United States. It found that none of the four responding firms could estimate the preference margin required to offset costs in the European Union. With regard to requirements in the United States market, six firms responded, but with mixed answers: three firms estimated the required preference margin to be between 1 and 3 per cent, one firm at 10 per cent or more and three firms indicated that they did not know.

In relation to future proposals for exporter registration by the European Union, five firms responded; three indicated that they were comfortable with the system and two that they were not.

Rules of origin relating to textiles and clothing for the European Union market

With specific reference to the textiles and clothing sector, the survey assessed the compliance ability of firms with current European Union rules of origin requiring double processing (weaving and making –up of finished product). Of the six firms that responded to this part of the assessment, all of them stated that they would not be able to comply with the rules of origin requiring double processing. Two firms indicated that the reason for this was because they produced garments classified under Chapter 6.2 of the Rules of Origin that were not knitted or crocheted, and imported the fabric from a third country that was not an ACP State. Two stated that they could not comply because they produced garments classified under Chapters 6.1 and 6.2 and imported the fabric from other ACP or African countries, but had not made use of the cumulation provisions; the remaining two respondents gave other reasons.

Of the six firms that could not comply with the rules because they imported fabrics, their reasons for continuing to do so and forgoing tariff preferences were varied, the main reason being that they considered the quality of the imported fabric to be most important.

The survey also sought to determine whether a rule allowing the utilization of imported uncut fabric (to make garments classified under Chapter 6.2 and to use yarn for all garments covered in Chapter 6.1 and be granted duty-free entry into the European Union and the United States) would help them improve their export operations. All six firms responded that this would help to a great extent.

When asked whether the current rules requiring a specific processing requirement such as "manufacturing from yarn" took into account other working or processing that were substantial, such as embroidery, printing and dyeing, and other manufacturing operations, adding considerable value, three of the responding firms said that they did, while the remaining three indicated that they did not.

In the case of knitted or crocheted garments (Chapter 6.1), the survey described related European Union rules of origin and sought to determine whether the firms surveyed could comply with the rule. All five responding firms indicated that they could not.

For firms that produce knitted and crocheted garments (Chapter 6.1) and could not comply with the above rule, three explained that they produced garments classified under Chapter 6.1 that were knitted and/or crocheted and imported the yarn or fabrics from a third country that was not an ACP or EC-member country.

With regard to the new European Union threshold rule of 30 per cent (50 per cent for non-LDCs) of ex-works prices for local value content, three firms responded that they could not comply with these percentage requirements; three stated that they could.

Non-tariff barriers and related issues

First, it should be noted that firms did not always find it to be obvious or straightforward to distinguish between non-tariff barriers and other constraints or challenges on trade in the survey. Therefore in the analysis, the responses were reorganized and reclassified according to the most closely matching definitions. The findings for Kenya are presented below.

In Kenya, non-tariff barriers were more widely mentioned in the flower and horticulture sectors, with only a few non-tariff barriers being highlighted by firms in the textile and clothing sector. The latter focused more on highlighting other trade-related issues that serve as constraints or challenges to exporting. Responses among firms in the three sectors in Kenya are considered in turn:

Main non-tariff barriers listed by the flower sector:

- Restrictively high quality standards coupled with stringent sanitary and phytosanitary rules and requirements;
- Subsidies given to producers in the export markets abroad;
- Inconsistence or un-harmonized quality requirements across countries in export markets, even in a common bloc such as the European Union;
- Some practices of direct quota restrictions.

Other trade-related challenges listed by the flower sector:

- High freight costs;
- Poor infrastructure, particularly roads;
- Cumbersome, inefficient customs procedures;
- Inadequate provision of information from government about trade opportunities and export procedures.

Non-tariff barriers listed by the horticulture sector:

- Prohibitively costly certification requirements and procedures under EurepGAP standards, for example;
- Food (carbon) miles for air-freighted goods, which increases landed costs and therefore prices in export markets, making products uncompetitive;
- High and restrictive sanitary and phytosanitary standards, including stringent requirements on traceability of chemicals in products.

Other trade-related constraints listed by the horticulture sector:

- Protracted and inefficient customs procedures for exports;
- Little information provided by government, except in cases of revenue collection by the agency providing the information;
- High freight costs;
- Poor infrastructure, including roads, cold-chain and other handling facilities.

Non-tariff barriers listed by the textile and clothing sector:

- Challenges relating to complicated and therefore highly restrictive market access rules, including difficulties concerning bills of lading.

Other trade-related constraints listed by the horticulture sector:

- High labour costs, partly driven by labour unions;
- High freight and other transportation costs;
- Port congestion and resultant inefficiencies and delays, suggesting that the port infrastructure needs to be upgraded;
- Customs systems failure due to poor equipment and occasional limited staff competences, coupled with cumbersome and inefficient customs procedures for exports;
- High costs of utilities (water and electricity) combined with erratic supply;
- Poor infrastructure, particularly roads;
- Poor support from government in providing information.

5.2 Malawi

The survey in Malawi covered a total of six firms in one sector, tobacco.

Preferences and preference erosion

All six tobacco firms covered in the survey reported that they were beneficiaries of preferences in their export markets at the time they were founded. Five firms reported that they were beneficiaries of preferences under ACP, while one reported that it utilized preferences under AGOA. Furthermore, of the six firms surveyed, four indicated that they benefited from other preferences such as those granted by COMESA and the Southern African Development Community.

Of the six firms, only one reported being aware of the size of the preference margin it benefited from under COMESA, estimating it at 1–3 per cent. The results suggest that firms in Malawi do not actively seek information that would inform them about the additional competitive edge that preferences and related preference margins give them over their competitors from other countries and regions. This puts the firms in a precarious position, leaving them unprepared for the impacts of possible preference erosion.

In consonance with observations from other focus countries, it was observed among the Malawian firms that while most could not quantify or estimate the preference margin they enjoyed, they did have clear perceptions and opinions about the importance of preferences in their trade relations. For Malawi, the results on the importance of trade preferences to export operations were mixed, perhaps due to nature of product. Two firms stated that trade preferences were the most important factor in sustaining their export operations; two other firms considered this to be important, though not the most significant factor; one indicated that trade preferences were not important and one did not know. On whether trade preferences were a significant consideration in sustaining their business relations with importers or buyers abroad, one firm said that preferences were important to some extent, but not the most significant factor; two stated that preferences were the most significant factor; and three firms indicated that they were not important.

Relating to the complete erosion of preferences, one of six firms anticipated that it would experience adverse impacts to a great extent in the event that trade preferences were completely eroded, while another indicated that it would experience adverse effects to a limited extent. Two firms stated that the impact depended on the magnitude of the erosion and the remaining two did not know. Three of the firms were able to respond to the question about their estimation of a commercially meaningful preference margin for their export products to remain attractive on the export market. They estimated the margin at 7.3 per cent on average, ranging from a minimum of 2 per cent to a maximum of 12 per cent.

Origin and trade facilitation
Certificates of origin

Again, firms had varied responses to questions regarding the three elements of the rules of origin – origin criteria, documentary evidence and direct consignment – as well as domestic procedures relating to the issuance of certificates of origin, and other issues that could potentially affect their utilization of GSP preferences. Two firms indicated documentary evidence as the element that affected their utilization of GSP preferences the most and one highlighted direct consignment rules. The remaining three firms stated that they had not experienced significant difficulties with any of these elements. With reference to direct consignment rules, only the one firm mentioned above had experienced significant problems with those rules.

Regarding electronic forms of certification, four firms considered that it would help reduce complications relating to certificates of origin, while two did not. Five firms reported the number of days required to issue a certificate of origin ranged from 1 to 7 days – 3.5 days on average. Four firms indicated that self-certification of the rules of origin would both improve export procedures and five, that it would reduce their transaction costs. Four firms, however, were able to estimate the percentage of total transaction costs they would be able to save through self-certification: between 8 and 15 per cent, 14 per cent on average.

Three firms considered that Malawi had no specific technical assistance requirements relating to rules of origin, whereas the other three did. Four firms stated that the simplest methodology to describe the rules of origin for their products was the specific working or processing requirement, one cited percentage criterion and one, change of tariff heading.

In the European Union market, three of the firms indicated that the preference margin that would offset costs of complying with certificate of origin or direct consignment requirements was 1–3 per cent and the others did not know. In the United States market, the margin was estimated at 1–3 per cent by two firms, while the rest did not know.

In relation to the new proposals by the European Union to establish a system for exporter registration from 2012 onwards, three firms responded that they would be comfortable with the new system, while the other three indicated that they did not know.

Non-tariff barriers and related issues

The main non-tariff barriers and other trade-related challenges in Malawi's tobacco sector were listed as follows:

Main non-tariff barriers:

- Documentation requirements are too stringent with very high costs;
- Subsidies for domestic producers in the European Union;
- Direct quota restrictions in the United States market.

Other main trade-related challenges:

- High freight and other transportation costs;
- Poor infrastructure, particularly roads.

Over and above the non-tariff barriers and other trade challenges listed above, the tobacco sector firms covered in the survey highlighted a number of other trade-related challenges, particularly those relating to the domestic business environment and conditions. They are not included here, as they were all unique responses from individual firms – no general pattern could be identified.

5.3 Madagascar

Preferences and preference erosion

Vanilla

All firms in the vanilla export sector use ACP preferences, while three export using GSP preferences. None export under AGOA preferences. None of the firms surveyed were aware of the existing preference margin for vanilla in their export markets. Five firms indicated that trade preferences were a very important factor in sustaining their export operations. One firm, which exports gourmet or high-quality vanilla, responded that they were not a crucial factor in sustaining their export operations. Three firms indicated that the availability of the preference margin was a significant factor in their business relations with their buyers, while one firm indicated that it was a crucial factor to some extent. One firm stated that it was not a crucial factor in their relations with their buyers. Four firms affirmed that the existence of preferences was a major factor influencing the initial decision for the firms to engage in the export of vanilla. Two firms indicated otherwise.

Three firms in the survey indicated that the erosion of preferences would affect their firm operations to a great extent, while two responded that the impact would depend on the extent of the erosion. One firm responded that the erosion of preferences would have no effect on their export operations. With regard to proposals for a commercially meaningful preference margin for vanilla to remain sufficiently attractive to the buyers, two firms proposed a margin of 10 per cent, while one proposed 6 per cent and another indicated it would depend on the international price of vanilla.

In cases of preference erosion, the six firms surveyed proposed a number of initiatives or trade reforms that their government or trade preference-giving trading partners could carry out by way of mitigation: improving the port infrastructure (six firms), simplifying internal regulations (two firms) and extending credit facilities to farmers (two firms).

Quality was unanimously singled out as the most critical factor for buyers of vanilla.

Textiles

Four firms were interviewed in the textile sector. Three firms export using ACP and GSP preferences. One of these three firms exports under AGOA as well. Three of the firms surveyed export to SADC using SADC preferences, while one firm exports using Indian Ocean Commission preferences.

Only one firm was aware of the preference margin in its export market (above 10 per cent). However three firms indicated that trade preferences were "most important" in sustaining their company's export operations. One firm responded "very important". As far as being a crucial decisive element in their specific business relations with their buyers, two firms responded "significantly" while one responded "to some extent". The main reason the companies provided these responses was that the preference margin enhanced their competitiveness. Two of these firms indicated that the existence of margins was a decisive element in influencing their initial decision to engage in production and export of their products. On how the erosion of preferences would affect their operations, three firms indicated it would to a great measure while one indicated it would depend on the level of erosion. Three firms in the sample offered preference margins ranging from 10–20 per cent as margins that are commercially meaningful for their exports to be sufficiently attractive to their buyers.

In cases of preference erosion, only one firm provided a response indicating that the provision of export subsidies would mitigate its impact.

Price and quality were considered to be the most crucial factors for buyers of Malagasy textiles.

Fisheries

Four firms were surveyed in the fisheries sector. All firms utilize ACP preferences, and one firm also exports under GSP preferences. One firm uses Indian Ocean Commission preferences for regional exports.

Only one firm was aware of the preference margin for their fish exports: 10 per cent or more. There was consensus among the four firms that trade preferences were a "most important" factor in sustaining their companies' export operations and that the availability of a preference margin was a decisive element in their specific business relations with their buyers. This is due to the fact that existing preference margins make these exporters competitive. For the responding countries, the availability of preferences was a critical element in the initial decision to engage in exports of fish products to their markets.

All firms responded that the erosion of preferences would impact their businesses to a great extent. The companies' proposals for a commercially meaningful preference margin for their products to be sufficiently attractive for their buyers stood at 15 per cent or more (three firms) and 5–10 per cent (one firm).

In cases of preference erosion, the firms surveyed proposed the following initiatives or trade reforms that their government or trading partners awarding trade preferences could carry out by way of mitigation: development of port infrastructure (two firms), budgetary assistance (three firms), an investment fund to assist fishing firms in reconverting their ships for several types of fishing and opening up the eastern coast for new fishing zones (one firm).
Quality is the crucial factor requested by buyers of fish products from Madagascar.

Origin and trade facilitation

Textiles and clothing

The origin criterion was selected as the element that affects the utilization of preferences by two firms in the survey. None of the firms took advantage of either donor content facilities or cumulation facilities or encountered any difficulties with the direct consignment rule.

Vanilla

All firms surveyed in the vanilla sector indicated no major issues among the elements provided that affected their utilization of preferences. All firms reported that they had no specific problems relating to rules of origin issues because Madagascar has a 70 per cent world market share of vanilla and the only requirement is proof of origin.

Fisheries

The four firms in the survey did not experience problems related to rules of origin. These companies have not taken advantage of either donor content facilities or cumulation facilities. One firm indicated that the duration of time between the inspection by the sanitary authorities (ASH, or Autorité Sanitaire Halieutique) and posting on the OAV official website was an administrative procedure that required improvement. The direct consignment rule was not used by these firms.

Certificates of origin

Textiles and clothing

Only one firm responded that electronic certification could reduce the complications associated with the issuance of GSP or EUR1 forms.

Responding firms in the survey indicated that the costs associated with the issuance of certificates of origin were insignificant. Only one firm responded that there was a difference between United States and European Union practices related to that practice.

On the issue of the time it takes to obtain a certificate of origin, the firms' responses ranged from one to five days. Only one form is issued per shipment. Only two firms agreed that self-certification could substantially lower the transaction costs associated with rules of origin certification. They were, however, unable to estimate the percentage of cost savings on transactions.

With regard to technical assistance on rules of origin, two firms proposed that groups such as Groupement des Entreprises Franches et Partenaires[6] would be likely to seek assistance.

On the question of which methodology for origin criteria they considered the easiest, only one firm responded, selecting the change of tariff heading. Similarly only one firm was able to give a response (10 per cent or more) of what preference margin could offset the cost of complying with the administrative requirements.

On which origin criteria methodology was the most suitable for their product, one firm selected the percentage criterion based on the value of materials, while another selected a change of tariff classification.

All firms agreed with the European Union proposal for exporter registration; three firms cited the fact that periodic inspection of the export products was advantageous to them.

Vanilla

Four firms indicated that the impact of electronic certification would not reduce the complexity involved in the issuance of the certificates. Two firms were of the opposite opinion. Most firms were not able to provide the percentage of the costs related to rules of origin paperwork to the value of their shipments. Three firms responded that there were no differences between European Union and United States practice relating to certificates of origin. Other firms were not able to express an opinion mainly because they deal only with one market, the United States.

For five firms, certificates of origin were issued in two days while only one firm indicated one day.

All six firms indicated that self-certification would not substantially reduce the transaction costs related to the issuance of certificates of origin. Further, none of the firms indicated a need for specific requirements for technical assistance as far as rules of origin were concerned.

The firms surveyed were not able to indicate the simplest methodology for determination of origin criteria. This could be due to the fact that vanilla is a wholly originating product.

As far as the new proposal for exporter registration is concerned, the six firms surveyed indicated that they would have a problem with this new system because it would give too much latitude to the registration authority.

Fisheries

Two firms in the sector concurred that electronic certification could reduce the complications associated with the issuance of certificates of origin, while the other two indicated it would make no difference. The cost of this paperwork as a percentage of the value of shipments is negligible.

---

[6] An association which represents the textile producers working under free zone laws. The association represents more than 200 firms.

All but one company were not able to respond to whether there was a difference between United States and European Union practices related to rules of origin. The responding firm indicated that differences did exist.

The issuance of certificates of origin in the fisheries sector takes one to two days with two forms required per shipment.

On origin criteria methodology, the firms were not able to indicate which was the simplest, nor were they able to indicate what preference margin could offset the cost of complying with administrative requirements.

Three firms were unsure whether they would be comfortable with the proposed exporter registration system, while one firm responded that it would not be comfortable, as the system would give the authorities too much leverage in deciding how and whom to register.

Rules of origin for the fisheries sector exporting to the European Union market

With regard to the rules of origin for the fisheries sector, the firms interviewed have no problem largely because they fish within their territorial waters.

Rules of origin for the textile sector exporting to the European Union market

Only one firm indicated that a rule allowing it to utilize imported uncut fabric to make garments classified under Chapter 6.2 and to use yarn for all garments covered in Chapter 6.1 and still obtain duty-free access into the European Union and the United States would help. It also indicated that the rule requiring a specific processing requirement such as manufacturing from yarn did not take into consideration other substantial working or processing such as embroidery.

Non-tariff barriers and related issues

Among the non-tariff barriers cited by the vanilla-producing-firms in Madagascar were quality-related issues at export markets, which makes it expensive for the producers.

With regard to other issues that affect their trading arrangements, the following responses were obtained from the firms:

- Customs reforms – Two firms surveyed indicated their desire to see the export formalities simplified;
- Infrastructure improvements – Three firms cited improvement of the Vohemar Port's efficiency as a major area for improvement.

The four firms in the Malagasy fisheries sector cited sanitary and phytosanitary standards as their main concern.

As regards other issues that affected their trading arrangements, the following responses were obtained from the firms:

- Customs reforms – One firm indicated the need to reduce the duration of export formalities;
- Infrastructure improvements – All four firms indicated the need to not only improve port efficiency but to improve port equipment. A further observation by one firm was the need to increase the frequency of freight traffic;
- Reduce/subsidize shipping costs – There was a general consensus among the firms surveyed that shipping costs were high and that reducing costs or granting subsidies would certainly increase competitiveness;
- Improve export credit facilities and financial services – Only one firm indicated that interest rates in Madagascar were high.

All the firms surveyed also highlighted the need to improve the capacity of ASH, i.e. the body responsible for inspections of the fish prior to exports.

Two firms in the textile sector cited environmental standards and membership of the Customs-Trade Partnership against Terrorism Programme as the non-tariff barriers they face in their export trade.[7] Although the Programme improved the quality of production, the firms pointed out that it slowed down the production chain because of various requirements.

Other issues that affect their trading arrangements were as follows:

- Customs reforms – Two firms indicated the need to simplify procedures;
- Infrastructure improvements – Two firms indicated the need to improve infrastructure, specifically repairs to the Antananarivo-Tamatave Road, to improve the harbour Port de Fort Dauphin and make the Antsirabe/Antananarivo/Tamatave rail network reliable;
- Improve export credit facilities and financial services – Two firms indicated the need for credit guarantee services, while one firm noted that interest rates in Madagascar were high.

5.4 Mauritius

Preferences and preference erosion

Textiles and clothing

Eight textile firms were surveyed in Mauritius. Only one firm exports using ACP preferences, primarily because the other seven firms export using EU GSP[8]. Two firms export under AGOA.

[7] The CTPAT or Customs-Trade Partnership Against Terrorism is a programme created by the government and importing firms in the United States. It guarantees a user in the supply chain a very high level of quality but the exporting firm must present a detailed analysis of its supply chain and draw up advanced security measures

[8] This finding is somewhat counterintuitive as ACP preferences were at the time of questionnaire more generous than those granted under GSP allowing for cumulation of rules of origin.

All eight textile firms were aware of the preference margins their products enjoyed in the export markets, which in all cases was above 10 per cent. There was consensus among the firms that trade preferences were "most important" in sustaining their export operations. Similarly all firms indicated that the preference margin was a "significant" and crucial element in their specific relations with their importers or buyers. The preference margin makes these firms remain competitive particularly in comparison with Asian exporters.

As for the initial decision to commence exports to their target markets, all eight firms indicated that the existence of the preference margin was a decisive factor in establishing initial operations. The key motivation for the establishment of textiles and clothing in Mauritius was the preferential markets of the European Union and the United States. Consequently, all firms responded that the erosion of the preference margin would adversely affect their operations to a "great extent".

Three firms offered a proposal for a commercially meaningful preference margin that would still allow their products to remain attractive to buyers. The firm responses for this margin were 12 per cent or more.

In cases of preference erosion, the firms surveyed proposed that their government or trading partner granting trade preferences carry out the following initiatives or trade reforms by way of mitigation: fiscal incentives to encourage exports (six firms), promotional support (six firms), reductions in costs of capital (three firms) and preferential capital allowances (two firms).[9]

With regard to the major critical factors for buyers of Mauritian textiles, the following were highlighted by the firms surveyed: price (eight firms), timely delivery (seven firms) and quality (six firms).

Fisheries

Four major fisheries firms were surveyed in Mauritius. Two of the firms have a 100 per cent market share in tuna exports; while the remaining two are comparatively smaller players specializing in exports of red fish and fish products.

For these firms, the preferences under which exports are undertaken are GSP and AGOA. All firms indicated an awareness of the preference margin, which was more than 10 per cent for all responding firms. All fisheries firms surveyed indicated that trade preferences were an important factor in sustaining their export operations. Further, the availability of the preference margin was deemed a decisive element in the firms' respective business relations with their importers as this made their exports competitive. Therefore, all firms indicated that the erosion of the preference margins would to a great extent have a negative effect on their exports. With regard to a commercially meaningful preference margin that would make their exports sufficiently attractive to their buyers, the firms surveyed indicated margins of 24 per cent for the tuna exporters and 12–30 per cent for the other firms.

[9] Preferential capital: Instead of companies paying corporate tax, the tax amount is used to upgrade their technologies, purchase new equipment, build capacity and develop new markets.

The survey also obtained views on proposals for trade reforms or initiatives that governments should carry out in order to mitigate loss of preference margins. The firms in the survey proposed the following measures: duty and inputs free of value-added tax (three firms), a policy to support fisheries firms with adequate shipping lines (three firms), fiscal incentives on capital investments (two firms), reductions in import and export costs (two firms) and reductions in import and export transaction costs (two firms).

On factors that are critical to their buyers in sourcing specific fish products form Mauritius, the firms in the survey indicated price (three firms), quality (three firms), timeliness of delivery (two firms) and packaging and environmental conditions (two firms).

Origin and trade facilitation

Textiles and clothing

Seven firms cited origin criteria as an element that had affected their firms' utilization of preferences, while three cited documentary evidence. Four firms, however, stated that non-tariff barriers or proprietary non-tariff barriers posed a problem for them in implementing those rules.

The firms surveyed did not take advantage of either donor content facilities or cumulation facilities.

Suggested improvements for the preference schemes used by the firms surveyed were as follows; electronic registration of exporters to reduce routine checks (two firms), creation of a one-stop shop dealing with applications for permits (two firms) and computerization of systems (two firms).

With regard to direct consignment rules, only one firm experienced problems that were substantive enough to mention.

Fisheries

All firms surveyed indicated that the critical factors affecting their utilization of GSP preferences were origin criteria and documentary evidence; three firms cited direct consignment rules. With reference to origin criteria and documentary evidence, the firms observed that the process required considerable effort on their part. For origin criteria, all firms indicated that the need to adjust production processes or input sourcing to comply with rules of origin was problematic. There was also consensus among the firms that periodic quality audits undertaken under very stringent conditions had made compliance with the rules of origin very difficult. One firm also stated that repetitive inspection by local government authorities because of lack of computerized historical data on exporter’s activities and low technical skills of government personnel created unnecessary delays. Direct consignment rules affected the firms with regard to the requirement that fish and associated products must be sourced from approved economic zones.

The firms surveyed did not utilize donor content facilities or cumulation facilities.

Suggested improvements to individual GSP schemes and AGOA preferences by the fisheries firms surveyed were to establish an electronic one-stop shop for all documents and procedures (four firms) and to change the rules of origin for fish to allow for third-country inputs (two firms).

Three of the firms surveyed that use the direct consignment rule agreed on its complexity. The two major exporters in the tuna subsector comply with it in part because of their large-scale operations. The third and comparatively smaller firm indicated that the difficulty was exacerbated by the reluctance of large-scale European Union buyers to issue traceability certificates.[10]

Certificates of origin

Textiles and clothing

Seven firms did not consider that electronic certification would reduce the complications associated with the issuance of certificates of origin.

None of the firms were able to indicate whether there were any differences between the United States and European Union practice relating to certificates of origin, largely because they mostly dealt with one market.

The typical length of time it took to obtain a certificate of origin in Mauritius was one day. There is little or no cost associated with obtaining these certificates and only one form and two copies are required per shipment. Seven firms indicated that self-certification would lower transaction costs if implemented. The percentage savings on transaction costs were put at 5 per cent or more by one firm and at least 10 per cent by three firms. Only one firm indicated that technical assistance was needed with regard to rules of origin.

With regard to systemic problems related to the issuance of certificates of origin, six firms indicated repetitive inspections at customs. Suggested improvements were computerization (three firms) and minimizing paper work for registered exporters (two firms).

On the simplest methodology for applying origin criteria, six firms selected the specific working or processing requirement according to the European Union model, while the others were unable to provide a response.

The survey also captured responses on what preference margin the firms thought could offset the cost of complying with administrative requirements such as certificates of origin. For the European Union market, six firms selected a margin of 10 per cent or more; for the United States market, one firm selected the same margin.

With regard to the European Union's proposal for export registration, seven firms responded that they would be comfortable with the new system. The reason provided by four of these firms was

[10] A traceability certificate is proof that fish was caught or purchased from European-Union-registered vessels. Firms buying in smaller volumes run the risk of not obtaining the certificate owing to administrative difficulties in providing it by the seller.

that under the new system, documents are checked only periodically and they can deal with their importers if problems arise.

Fisheries

Three firms surveyed affirmed that electronic certification would reduce complications associated with the issuance of certificates of origin. The existing system of certification is geared more towards the requirements of textile firms. Therefore, the fisheries sector firms were of the view that electronic certification would be an asset.

As a percentage of the firms' shipments, the paper costs associated with the issuance of rules of origin were insignificant.

The four firms export to only one market, that is, either the European Union or the United States. As such they were unable compare the rules of origin for the two markets.

The time it takes these firms to obtain a certificate of origin varies from one day to one week. However this tends to depend on the size of the firm, internal staffing capabilities and resources (internal laboratory services). Smaller firms tend to find it more difficult and hence take longer. Where companies use external laboratory facilities, tests take longer.

For the three firms exporting to the European Union, three copies of the EUR1 certificate were required at exportation. All firms agreed that self-certification of the rules of origin would substantially improve the procedures and lower transaction costs. However for estimates of costs savings as a percentage of shipment values, only two firms responded, indicating a range of 0.1–1.3 per cent.

The firms identified the following areas of technical assistance regarding rules of origin: information on sources of inputs and in-house processing technologies (achievable through training) and improved capacity of government officials in handling exports and rules of origin documentation (achieved through training).

The firms also reported the systemic problems in the issuance of certificates of origin: repetitive procedures for identical import/export consignments, too many complex documents and a lack of historical data from authorities leading to repetitive information submission.

All firms surveyed selected the specific working or processing requirement as the simplest methodology to describe a certain origin criterion. Three firms selected a preference margin of 10 per cent or more as one that could offset the cost of compliance with administrative requirements related to their exports.

With regard to the European Union's proposal for the registration of exporters, all firms surveyed indicated that they would be comfortable with it; two of them added that they would be comfortable as long as the rule did not introduce further administrative costs.

Rules of origin for fisheries products destined for the European Union market

The survey requested opinions on the stringency of rules of origin related to fisheries since the EU requires stringent criteria to be met[11] . Inasmuch as the rules were stringent, given that Mauritius does not possess fishing fleets, the two tuna firms indicated that there was no alternative if tuna was to be exported to the European Union.

One of the smaller firms indicated that given the small size, they had no fleet capacity and therefore had to rely on other vessels as long as these were registered with the European Union.

For the two firms that exported canned tuna, there was agreement that allowing non-European Union-vessels to land tuna for use in local canneries would help build supply or export capacity. The firms agreed that a value tolerance of 15 per cent or even more could also help build supply or export capacity. The allowance of 15 per cent caters for the margin of error within the production and exporting process. Both firms strongly agreed that a meaningful value tolerance has to be more than 15 per cent and that commercially speaking, value tolerance was simply not workable, as it required intensive calculations involving complex data and highly paid, experienced personnel.

Rules of origin in textiles and clothing exported to the European Union market

The survey assessed the compliance ability of firms with current European Union rules of origin requiring double processing. Five firms indicated their ability to comply with the rules. For the non-responding firms, one exported to the United States and the other applied a different production process (i.e. tailoring).

Five firms surveyed agreed that the current rules requiring a specific processing requirement such as manufacturing from yarn did not take into account other substantial working or processing, such as embroidery.

Only one firm indicated that it could comply with European Union rules of origin requiring that garments classified under Chapter 6.1 should be obtained by sewing together or otherwise assembled two or more pieces of knitted or crocheted fabric that have been either cut to form or knitted to shape.

The remaining firms that were unable to comply indicated that some firms produced garments, knitted or crocheted, that were classified under Chapter 6.1 and imported the yarn from third countries that were not ACP or AGOA beneficiaries (three firms).

The following indicative value-added figures as a percentage of the imported material to each operation indicated below were given by the firms: knitting to shape of imported yarn and finishing operations (15–45 per cent), assembly, trimming of uncut imported knitted fabric (15–20

[11] See for a detailed explanation of EC rules of origin for fisheries; *Rules of origin in international trade* , Inama, Cambridge University press, 2009 and Campling, L. (2008) Fischeries Aspects of ACP-EU Interim Economic Partnership Agreements: Trade and Sustainable Development Implications, ICTSD Series on Fisheries, Trade and Sustainable Development – Issue Paper No. 6, Geneva: International Centre for Trade and Sustainable Development.

per cent), assembly of imported parts knitted to shape (5–22 per cent) and printing accompanied by at least two preparatory or finishing operations such as scouring (5–22 per cent). With regard to the new European Union rule of a 30 per cent (50 per cent for non- LDCs) of an ex-works price threshold for local value content, 13 firms indicated that they could not comply, whereas 10 firms reported that they could.

Non-tariff barriers and related issues

Non-tariff barriers[12] cited by the fisheries firms in Mauritius included the following: restrictions on halogen preservatives (this affects exports, as it imposes requirements to put expensive testing systems in place to ensure that the end products are free of halogen preservatives in order to be compliant), the requirement that a second sanitary certificate be delivered by the importing country at the destination port after a first one has been delivered by the exporting country at the originating port (this leads to longer delivery times), compliance with a variety of sanitary rules in Europe, Greenpeace International's campaign on yellow fish (discourages customers and reduces market scope) and sourcing of fish only from European sources (limits scope of procurement and has high cost implications).

According to the firms, the host government should negotiate with export market governments to ease some of these restrictions.

With regard to other issues that affect their trading arrangements, the following responses were obtained from the firms:

- Customs reforms – All companies surveyed indicated that there was need for a centralized electronic information system that does away with repetitive checks (all firms stated that this would reduce transaction times for processing their consignments);
- Infrastructure improvements – Four firms cited port efficiency as a major area for improvement and three firms cited the need to increase ship capacity;
- Reduce/subsidize shipping costs – All firms agreed that shipping costs in general were high. To a large degree, the below-capacity number of shipping lines contributes to this high cost. Shipping infrastructure was noted as an area for improvement by one firm.

On recommendations to mitigate the impact of traditional non-tariff barriers, the firms surveyed proposed the following: to reach an agreement on a set of standard sanitary rules and procedures (two firms), provide testing facilities at a single point to eliminate multiple testing (two firms), engage in a dialogue to assess necessary and unnecessary non-tariff barriers (two firms) and launch an awareness campaign on the negative effects of non-tariff barriers for exporting countries (two firms).

All textile firms in Mauritius cited two major non-tariff barriers. The first was social compliance concerning health and safety, labour laws and fair trade. This affected their production, as they had to tailor their production system according to these social compliance norms. A second non-tariff barrier was environmental compliance. The impact of this is added costs related to setting up

[12] The definition of non-tariff barriers in this paper reflects the firms' views. As such, it does not imply any legal qualification of the measure.

infrastructure for compliance. Additionally, one firm cited the need to comply with buyer-specific non-tariff barriers. The problem with such proprietary norms is that they tend to diverge from universal standards such as WRAP (World Wide Responsible Apparel Production)[13], SA 8000 of the United States and ETI (Ethical Trading Initiative) of the United Kingdom[14]. This tends to increase costs.

Six firms suggested the removal of proprietary norms as a critical remedial action to remove non-tariff barriers. One firm cited the need to draw up a support package for exporters to improve their capacity to deal with universal standards requirements by improving skills and equipment.

With regard to other issues that affect their trading arrangements, the following responses were obtained from the firms:

- Customs reforms – All companies surveyed indicated that there was a need for customs offices to computerize so as to enable them to handle all issues related to exports of their products to their destination markets;
- Infrastructure improvements – The following areas of improvement were put forward by the firms: port inefficiency (three firms) and inadequate shipping lines (four firms);
- Reduce/subsidize shipping costs – There was general consensus among the firms surveyed that shipping costs were high and their reduction would certainly increase competitiveness;
- Improve export credit facilities and financial services – Six firms indicated no particular problems on this issue. Only one firm held the view that credit was expensive.

However, a pervasive issue among the firms surveyed was the need for a monetary policy that ensured a stable exchange rate.

5.5 Seychelles

Preferences and preference erosion

Fisheries

The fisheries sector in Seychelles is dominated by two major firms. These firms were covered in the survey. Both use preferences for their European Union-bound exports, specifically, European Union Cotonou preferences. Both firms were aware of the preference margin which they indicated as above 10 per cent and acknowledged that the existence of the preference margin was a crucial decisive element with their buyers. The firms further indicated that the erosion of the preference margin would have a decisively negative impact on their businesses.

---

[13] http://www.qmsiso.com/show_contents.aspx?page_id=11&isoid=6, http://www.wrapcompliance.org/index.php
[14] http://www.ethicaltrade.org/

Proposed initiatives that government can take to compensate for preference erosion were as follows: diminished shipping costs, improved trading facilities and upgraded infrastructure, such as air conditioning at airports.

Origin and trade facilitation

For one firm, the element that had most affected its use of preferences was origin criteria, specifically the issue of use of fish caught from non-European Union, non-ACP vessels.

On whether the use of electronic means could be of assistance, both firms responded in the affirmative.

Firms were asked to give a view on the simplest methodology to describe a certain origin criterion. Both firms chose the specific working or processing requirement based on the European Union model and considered this methodology to be the most suitable for their products.

With regard to the commercially meaningful preference margin that can offset the cost of complying with administrative requirements such as certificates of origin, both firms offered a range of 1–3 per cent.

Rules of origin for fisheries products exported to the European Union market

The two firms surveyed were asked if they thought the European Union rules of origin were stringent given their fishing capacity. One firm, which answered in the affirmative, indicated that it could comply with the rules by using fish caught by European Union-registered vessels. The other firm answered in the affirmative but had no alternative as it does not have local fishing capacity.

Both firms added that making the conditions of vessels more liberal, such as allowing other non-European Union, non-ACP vessels to land tuna for use in local canneries, would help build supply capacity.

Both firms indicated that a value tolerance of 15 per cent or more could help build export and supply capacity.

5.6 Swaziland

Preferences and preference erosion

Textiles and clothing

All Swazi textile exporters in the survey export under AGOA. Regional preferences given by the Southern Africa Customs Union (SACU) are utilized by two firms. Of the eight textile firms surveyed, seven were aware of the preference margin related to their exports. Of these, six indicated preference margins between 6 and 10 per cent, while only one indicated a margin of more than 10 per cent. Among the textile firms surveyed, there was consensus that trade preferences were an important factor in sustaining company export operations and that the availability of the preference margin was a crucial, decisive element in their respective relations with the importers or buyers. The main reason advanced for this was the enhanced competitiveness of their exports as a result of the preference margin. As to whether the existence of a preference margin was a critical element in influencing the initial business decision for their firms to engage in production, all firms surveyed affirmed this fact. As such, they indicated that the erosion of preferences would impact their business to a great extent. The survey instrument tried to capture indications of a commercially meaningful margin for their products to be sufficiently attractive to their buyers. The firms that responded indicated a range of 15–40 per cent.

Possible initiatives or trade reforms that the textiles firms surveyed proposed by way of mitigating the effects of preference erosion were as follows: government subsidies (six firms), tax exemptions (four firms), lower rentals (two firms), industrial rates for electricity and telecommunication charges (two firms), control of minimum wages (two firms), industry development strategies (three firms), improved customs efficiency (one firm), stable exchange rates (one firm) and credit facilitation (one firm).

Critical factors for buyers sourcing the specific textile products produced by the firms in survey were assessed. Among these were timeliness of delivery (seven firms), quality (seven firms), price (four firms) and quantity (one firm).

Citrus

Two firms from the citrus sector were surveyed. These export to both the European Union (using GSP and ACP preferences) and to the United States, using AGOA preferences. One indicated awareness of the preference margin but was unable to give the actual percentage. For one of the firms, trade preferences were critical issue in determining their exports, but rather a specific relation with the buyer. Hence preference erosion would only affect them depending on the extent of the erosion. However, the second firm indicated that the existence of preferences was a critical decisive element in their specific business relation with their buyers in foreign markets. This firm proposed that the factors critical to mitigating the impact of preference erosion included enhanced productivity, capacity development and credit facilitation.

Origin and trade facilitation

Textiles and clothing

In response to questions related to origin and trade facilitation issues, one firm highlighted direct consignment rules, while another indicated domestic procedures on the issuance of certificates of origin as the major element affecting their firms' utilization of preferences.

Three of the firms surveyed have used donor content facilities. The main problem highlighted by these firms in the use of the facilities was the cost of the donor-originating fabric. As for use of cumulation facilities, none of the firms surveyed have used these. Two of the textile firms indicated a need for training of customs officers and the reduction of documentation as possible improvements to existing procedures under AGOA.

As for direct consignment rules, most of the textile firms surveyed had not encountered any difficulties. The only firm that indicated a problem with these rules stated that the practice by South African Customs of inspections implied a need for changes in the documentation.

Citrus

Both firms surveyed indicated no problems with utilizing the existing preferences in their export markets. Similarly, both firms reported that the current implementation of administrative procedures and consignment and of other ancillary origin rules were satisfactory. With respect to direct consignment rules, one firm expressed difficulty with these, particularly with regard to the time period that goods can be stored in South Africa.

Certificates of origin

Textiles and clothing

With regard to certificates of origin, most textile firms surveyed agreed that other forms of certification by electronic means would reduce the costs associated with the issuance of certificates of origin. Among these firms however, the costs related to paperwork as a percentage of the value of shipments was negligible.

The number of days it takes to obtain a certificate of origin among the surveyed textile firms varied from one to seven days.

There was general consensus that self-certification of the rules of origin would substantially improve procedures and lower the costs of transactions. The textile firms surveyed put the transaction cost reduction at between 25 and 99 per cent. Most firms indicated that would have no reservations about inspections by foreign authorities in the case where self-certification is applied.

A mixed response was obtained about whether firms thought that technical assistance would be required with regard to issues of rules of origin, with three firms responding in the negative and four in the affirmative. Those that answered in the affirmative indicated a need for specific training in the European Union's rules of origin and training in rules of origin in general. From the firms surveyed, no systemic or recurrent problems on the issuance of certificates of origin were identified.

Among the methodology options for applying origin criteria, four textile firms selected the change of tariff heading as the simplest methodology, while three others selected specific working or processing requirements. Only one firm selected the percentage criteria.

Six firms indicated that a preference margin of 1–3 per cent would be sufficient to offset the cost of complying with administrative requirements, while two firms indicated a margin of 10 per cent and above.

Views were sought from textile firms on the most suitable rule of origin for Chapter 6.2 garments, not knitted or crocheted. Five firms chose the change in tariff classification methodology, while the other three firms did not respond. For a similar question but with reference to knitted and crocheted garments covered in Chapter 6.1, four firms selected specific working or processing, while one selected a change in tariff classification.

All firms surveyed indicated that they would be comfortable with the exporter registration system proposed by the European Union.

Citrus

Both firms surveyed affirmed that electronic certification would reduce the complications associated with the issuance of certificates of origin. In addition, none of the firms had any difficulty with the differences in the United States and European Union practice of issuing certificates of origin. Certificates were generally issued within one to three days. Only EUR1 form is required. As regards self-certification, both firms agreed it would substantially improve the procedures. A recurrent problem concerning the issuance of certificates of origin was the limited number of officials issuing the certificates.

The two firms offered an opinion on which rule criteria was the simplest methodology. Both selected the specific working criteria as the simplest.

Only one firm was able to give an indication of the preference margin that could offset the cost of complying with administrative rules. In both the European Union and United States markets, the firm selected the margin range of 1–3 per cent. With regard to their product, both firms considered the specific working or processing requirement to be the most suitable rule.

With regard to the European Union's proposal for the registration of exporters, both firms stated that they were comfortable with it.

Rules of origin relating to textiles and clothing for the European Union market

The survey assessed the compliance ability of firms with current European Union rules of origin requiring double processing. All but one of the textiles firms surveyed indicated an inability to comply with the rules. These firms were unable to comply, as they produced garments covered in Chapter 6.2 that were not knitted or crocheted and imported fabric from a third country that was not an ACP State.

These firms said they would continue to import fabric and hence not comply with the rule for the following reasons: imported fabric was cheaper and the could afford to forgo the tariff preferences (two firms), the quality of imported fabric was better (one firm), their firm was affiliated with the company supplying the fabric (one firm), they exported under AGOA, which allowed third-country fabric (two firms) and the specific fabric was not available locally (one firm).

There was consensus among the textile firms that a rule allowing imported uncut fabric to make garments classified under Chapter 6.2 and to use yarn for all garments covered in Chapter 6.1 for exports to the European Union and the United States was easier to comply with.

All but one of the firms surveyed also agreed that they could not comply with the current rules requiring a specific processing requirement such as manufacturing from yarn.

The two firms that produced knitted and crocheted garments covered in Chapter 6.1 and were unable to comply with the rule explained that they imported yarn or fabric from third countries that were not ACP- or AGOA-beneficiary countries.

Views of the most suitable rules of origin for production requirements for Chapter 6.1 garments that were not knitted or crocheted were requested from the textile firms. Five firms indicated that a change of tariff heading would be the most suitable rule of origin. For garments covered in Chapter 6.1 that are knitted and crocheted, the four firms selected the specific working or processing requirement as the most suitable rule, while only one selected a change of tariff heading.

The firms surveyed were required to give an indicative figure for the value added as a numerical percentage of the ex-works price. These ranged from 20–50 per cent for assembly and trimming of imported cut fabrics, 30–54 per cent for assembly, trimming and cutting of uncut imported fabrics, 5–10 per cent for embroidery in piece and 5–10 per cent for printing accompanied by at least two preparatory or finishing operations.

The indicative value added figures as a percentage of imported material for the following processes were 25–60 per cent for knitting to shape of imported yarn and finishing operations, 20–70 per cent for assembly and trimming of uncut imported knitted fabric, 15–30 per cent for assembly of imported parts knitted to shape and 5–20 per cent for printing accompanied by at least two preparatory or finishing operations.

Non-tariff barriers and related issues

The textile firms surveyed did not explain the kind of non-tariff barriers they faced in their export markets.

However with regard to other issues that affect their trading arrangements, the following responses were obtained from the firms:

- Customs reforms – Three firms indicated some problems in this area. The firms proposed that customs offices should be open 24 hours, that there was a need to update advice on any new rule implemented on the border, as well as to change the rule on export guarantees, as these tied up capital;
- Infrastructure improvements – All seven firms offered comments on this issue. Problems at Durban port were cited. Among these were delays and lower-than-optimal port capacity. Other issues cited were poor roads, problems in schedules of shipping lines and high road transportation costs. The firms indicated that boosting the capacity of Durban port,

improving road infrastructure and providing greater predictability in shipping schedules would help mitigate the infrastructure problems;
- Reduce/subsidize shipping costs – All firms agreed that shipping costs in general were high. As a component of the overall shipping costs, road costs were cited as being particularly high, hence a consensus on the need for road subsidies;
- Improve export credit facilities and financial services – Four firms explained that the cost of credit was an issue that concerned them. One firm further explained that despite the existence of an export credit guarantee scheme, it was not easily accessible.

Two firms also noted that their lower labour productivity was an issue as far as competing with their other Asian firms in their sector.

The textile firms surveyed did not explain the kind of non-tariff barriers they faced in their export markets.

The following issues were raised by the two citrus firms:

- Customs reforms – One of the firms surveyed noted that Swazi exporters could not be given unique exporter codes by Swazi customs and needed to register with the South African Revenue office, a system that needed changing. Communication regarding changes to procedures also needed to be improved;
- Reduce/subsidize shipping costs – One firm indicated that the cost of shipping was not affordable;
- Improve export credit facilities and financial services – One firm noted that there was inadequate knowledge about the export credit guarantee.

One of the citrus firms also indicated that lack of export market information affected its expansion programme.

5.7 United Republic of Tanzania

Preferences and preference erosion

Flowers

Two flower exporters were surveyed in the United Republic of Tanzania. Both firms export to the European Union under the GSP programme while one also exports to the United States under AGOA.

Neither company is aware of the preference margins in their export markets. Only one firm was able to indicate that trade preferences were a crucial factor in sustaining their export operations. Both companies indicated that the initial decision to set up their operations was not influenced by knowledge of a preference margin per se and were unable to propose a commercially meaningful preference margin that would keep their products sufficiently competitive.

In cases of preference erosion, the firms surveyed proposed that reduced energy and fuel costs were initiatives or trade reforms that their government or trading partner awarding trade preferences could carry out by way of mitigation.

With regard to the major factors that are critical for the buyers of their flowers, one of the firms surveyed indicated quality and timely delivery.

Textiles

Only one firm was surveyed in this sector. This firm controls close to 98 percent of the export market in the United Republic of Tanzania. It exports garments under the GSP and ACP schemes of the European Union as well as under AGOA to the United States. Additionally it exports to the Southern Africa Customs Union (SACU) under the preference scheme established between the SACU and Malawi, Mozambique, Tanzania, and Zambia. The firm is fully aware of the preference margin in its export markets (more than 10 per cent) and indicated that these preferences were critical in maintaining its export operations. The existing margin helps the firm remain competitive. As regards the impact of the erosion on this margin, the firm indicated it would negatively affect its operations to a large extent.

The firm offered the following proposals for trade reforms or initiatives that governments should undertake in order to mitigate the loss of preference margins: tax holidays for companies involved in value addition, reduction in prices of materials used for export and relaxation of employment rules to allow recruitment of skilled manpower.

The firm singled out quality and price as critical factors for its buyers in sourcing its products.

Fisheries

Only one firm was surveyed in this sector. It exports to the European Union using both GSP and ACP preferences. Inasmuch as the preferences are an important factor in sustaining the company's export operations, the firm was unaware of the preference margins in its export markets. The company stated a preference margin of 15 per cent or more as commercially meaningful for it to remain sufficiently competitive for its buyers, and maintained that trade preferences were a "most important" factor in sustaining its export operations. In this regard, the company indicated that the erosion of trade preferences would affect the firm to a great extent.

In the way of trade reforms or initiatives that governments should undertake in order to mitigate the potential loss of preference margins, the firm suggested subsidies to exporters, such as cheaper export financing.

Origin and trade facilitation
Certificates of origin

Flowers

Two firms were surveyed in the flower sector. One cited documentary evidence as the area that had affected the firm's utilization of preferences the most. The second firm did not cite any problems with rules of origin. Neither firm was aware of donor content facilities or cumulation facilities, as they had no need to utilize these processes. Neither firm had any problems with the direct consignment rule. As regards the certificates of origin, one firm indicated that it found United States rules of origin more stringent than those of the European Union. Interestingly, one firm indicated that a certificate of origin took one week to issue, while the other indicated a day. As for the procedures for issuance, only one certificate is necessary per shipment. The firm further indicated that self-certification of the rules of origin would substantially improve the procedures for issuance and lower the costs of transactions. The second firm did not. As to whether technical assistance would be needed in the area of rules of origin, the firm held that horticultural colleges needed to be set up to provide requisite skills for the sector. Additionally, the firm proposed exchange visits with more experienced growers in other countries.

With regard to the European Union's proposal for exporter registration, both firms indicated that they would have no problems with the introduction of this system.

Fisheries

One of the fisheries firms responded to the questions in this section. It indicated origin criteria as the one element that affects its utilization of preferences. The firm’s difficulties with rules of origin are in understanding the rules, adjustment of production processes and in the stringency of particular criteria for export products.

The firm has taken advantage of donor content facilities. However with regard to these facilities, the firm experienced problems with imported materials, such as refrigeration oils and chemicals that must be certified by the appropriate government authority. This process takes up to two weeks and implies production delays.

The firm surveyed has not taken advantage of cumulation facilities and has not encountered any difficulties with the direct consignment rule.

With regard the certificates of origin, two firms pointed out that electronic certification would reduce complications associated with issuance. However the costs of issuance of certificates of origin were minimal. It takes the firms one to two days to obtain a certificate and one to two forms were issued per shipment.

In comparing United States and European Union practices related to certificates of origin, the firm suggested that United States practice was more business friendly.

Whether self-certification would substantially improve procedures and lower transaction costs, both firms concurred. One firm indicated that technical assistance in rules of origin was welcome and should be provided through training arrangements.

Both firms specified specific working or processing requirements based on European Union model as the simplest methodology to describe a certain origin criterion.

The proposed exporter registration system would be positively received by both firms, as the only requirement would be to check the documents periodically rather than on each consignment.

Textiles

The one firm surveyed in this sector indicated not having faced any challenges with issues related to rules of origin. It had never utilized donor content facilities or cumulation facilities and had not encountered any problem with the direct consignment rule.

The firm concurred that the issuance certificate of origin by electronic means would reduce the complications associated with their issuance. The costs issuing certificates of origin are a minimal percentage of the value of a shipment.

In comparing the practices in the United States with European Union concerning certificates of origin, the firm indicated that the former was more business friendly and convenient. The firm indicated that self-certification of the rules of origin would substantially improve the procedures and substantially lower the costs of transactions by 0.1 per cent. A recurrent problem with regard to the issuance of certificates of origin was that of unclear certification by either the Revenue Authority of the United Republic of Tanzania or its Chamber of Commerce.

The firm chose the specific working or processing requirements based on the European Union model as the simplest methodology to describe a certain origin criterion.

As to the preference margin that could offset the cost of complying with administrative requirements to export to either the European Union or United States markets, the firm suggested 1–3 per cent.

The firm responded affirmatively with regard to the European Union proposal for exporter registration, as this would entail periodic checking of documents.

With regard to European Union rules requiring double processing, the firm indicated it could comply. . Further, with regard to the question of whether the current rule requiring a specific processing requirement such as “manufacturing from yarn” did not take into account other workings such as embroidery, the firm indicated that it did not.

The following indicative value-added figures as a percentage of the imported material to each operation indicated below were given by the firms: knitting to shape of imported yarn and finishing operations (15–45 per cent); assembly, trimming of uncut imported knitted fabric (15–20 per cent); assembly of imported parts knitted to shape (5–22 per cent) and printing accompanied by at least two preparatory or finishing operations, such as scouring (5–22 per cent).

With regard to the new European Union rule of a 30 per cent (or 50 per cent for non-LDCs) ex-works price threshold for local value content, the responding firm indicated that it could comply.

Non-tariff barriers and related issues

Flowers

The two firms surveyed pointed out a number of challenges they faced in their export trade, which included high freight costs, limited flight options (KLM being the only air-freight option they had implies that their production processes have to be organized around its flight schedules), slow shipping services, rising fertilizer costs and lack of government support.

With regard to other issues that affect their trading arrangements, the following responses were obtained from the firms:

- Customs reforms – One firm pointed out that though improvement in this area could help, it was not a major concern. The second firm indicated that more timely information of changes in export procedures would help improve their response to these changes;
- Infrastructure improvements – Port congestion and road infrastructure were identified as needing improvement;
- Reduce/subsidize shipping costs – Both companies indicated the need to improve credit facilities. One firm also pointed out the need to extend credit for a longer term than currently offered.

Fisheries

The two firms surveyed in the fisheries sector stated that high and stringent standards in export markets were non-tariff barriers they faced. Other related issues affecting their exports were multiple inspections, duplication of processes, local lengthy bureaucratic procedures, power outages and unavailability of trained manpower.

Firms proposed the following remedial actions: creation of a one-stop centre for certification, inspection and documentation, assistance with fishing equipment and establishment of vocational schools for the sector.

With regard to other issues that affect their trading arrangements, the following responses were obtained from the firms:

- Customs reforms – Information sharing was encouraged to enable exporters to fully meet customs requirements;
- Infrastructure improvements – Port infrastructure such as berths or offloading bays need to be constructed or improved;
- Reduce/subsidize shipping costs – Both firms cited the need to lower the cost of credit.

The firms in the sector also commented on the need to lower royalties paid by companies in the fisheries sector. Comparatively, their royalties are higher than those paid by their competitors in Uganda and Kenya.

5.8 Uganda

The survey in Uganda covered a total of nine firms from two sectors, namely flowers (seven firms), and fisheries (two firms).

Preferences and preference erosion

Fisheries

Both fisheries firms covered in the survey five reported that at their establishment, they were beneficiaries of preferences in their respective markets. Both firms reported that they were beneficiaries of preferences under ACP, AGOA and GSP.

Neither of the firms reported being aware of the preference margin from which they benefited under ACP and/or GSP; nonetheless, both firms stated that trade preferences were an important factor in sustaining their export operations. Similarly, they indicated that trade preferences were a significant consideration in sustaining their business relations with their importers and buyers abroad.

One firm anticipated that it would experience adverse impacts to a great extent in the event that trade preferences were completely eroded, while the other indicated that it would experience adverse effects to a limited extent. Only one firm responded to a question about the firm's perception about a commercially meaningful preference margin for its export products to remain attractive on the export market. The firm indicated that the preference margin should be about 2 per cent.

Flowers

In the flower sector, seven firms in Uganda were surveyed, five of which indicated that they had been beneficiaries of preferences when they had been formally established and one, that it had not (the remaining firm did not respond to the question). All seven firms in the survey were found be current beneficiaries of trade preferences under ACP, as they exported to that market. Of the seven firms, one firm was also found to utilize trade preferences under GSP.

Of the seven firms in the survey, six reported that they were aware of the trade preferences they enjoyed under the European Union market, with one situating the preference margin at 1–3 per cent and five, at 6–10 per cent (one firm did not respond). Generally, the findings from Uganda suggest a fairly high level of understanding about trade preferences and preference margins enjoyed by the flower sector under ACP.[15]

Six out of seven firms indicated that trade preference were the most important factor sustaining their export operations to their main export markets, while one firm indicated that trade preferences were important, but not the most important, factor. All seven firms reported that trade preferences were a significant factor in determining their business relations with their importers or buyers abroad.

Despite the indicative importance the firms generally attached to trade preferences, there was not much anticipation of adverse effects in the event of the erosion of preferences. Six firms indicated that the extent of adverse impacts they expected to suffer should preferences be eroded would depend on the extent of the erosion itself. One firm stated that it would suffer adverse impacts only to a limited extent. Five firms were able to estimate a commercially meaningful level of preference margin for their products to remain attractive to their importers, and all five agreed on 10 per cent.[16]

Origin and trade facilitation
Certificates of origin

As previously stated, the survey also investigated the three main elements of the rules of origin, namely origin criteria, documentary evidence and the direct consignment rules as well as domestic procedures on the issuance of certificate of origin and related documentation. The investigation focused on establishing the experiences of the firms surveyed in relation to compliance with these elements. The survey also considered the experiences and opinions of the firms in relation to various certificate of origin rules and procedures. The survey findings relating to each of the two sectors covered in Uganda are listed below.

Fisheries

Regarding the three elements of the rules of origin – origin criteria, documentary evidence and direct consignment – and domestic procedures on the issuance of certificates of origin and other aspects that might affect their utilization of GSP preferences, both firms indicated that domestic procedures affected them the most. One of the firms had taken advantage of both donor country content facilities and cumulation facilities, while the other had not. Neither firm had experienced significant problems with rules relating to direct consignment.

Concerning electronic forms of certification, both firms were of the opinion that it would help reduce complications related to certificates of origin. Both firms reported that the number of days it took to issue a certificate of origin was two days. They also considered that self-certification of the rules of origin would both improve export procedures and reduce transaction costs. One firm

[15] The context is one in which the firms were assisted by the Export Growers Association Secretariat in answering the questions posed to them in the assessment.

[16] Again, the context is one in which the firms were assisted by the Export Growers Association Secretariat in answering the questions posed to them in the assessment.

estimated that it would save 1 per cent of total transaction costs through self-certification, while the other suggested 2 per cent.

Both firms stated that Uganda had specific technical assistance requirements on rules of origin. One firm indicated that specific working or processing requirements were the simplest methodology to describe rules of origin; the other firm did not respond to this part of the assessment.

As exporters to the European Union and the United States, both firms estimated the preference margin that would offset the costs of complying with certificate of origin or direct consignment requirements at 1–3 per cent in both markets.

Regarding European Union proposals for exporter registration from 2012 onwards, one firm responded that it would not be comfortable with the new system and the other did not know.

Flowers

Five of the seven firms surveyed in Uganda indicated that the element affecting them the most among origin criteria, documentary evidence, direct consignment, domestic procedures for the issuance of certificates of origin, and other aspects, was domestic procedures. The remaining two firms stated that they had not experienced any significant problems relating to rules of origin elements. None of the firms had encountered any difficulties with direct consignment rules.

Five flower firms stated that electronic forms of certification would help reduce complications related to certificates of origin. They reported that the number of days taken to issue certificates of origin was one to two days. Five firms reported that self-certification of the rules of origin would improve export procedures and four, that it would reduce their transaction costs. None of the firms were able to estimate what percentage of total transaction costs they would save by self-certification.

Only one firm was of the view that Uganda had specific technical assistance requirements on rules of origin related to flowers, and four, that such requirements did not exist (the rest did not respond). None of the flower firms responded to the survey's assessment of the simplest methodology to describe rules of origin.

Five firms estimated the preference margin that would offset costs of complying with certificate of origin and direct consignment requirements in the European Union market at 1–3 per cent, one firm did not know and one estimated the margin in the United States market at 1–3 per cent.

In relation to the European Union's proposed new system for exporter registration for 2012 onwards, three firms stated that they would be comfortable with the new system, one firm indicated that it would not, another was indecisive and one firm did not respond.

Non-tariff barriers and other trade-related issues

For the two sectors covered in Uganda, the fisheries sector provided relatively fewer responses on non-tariff barriers than the flower sector. On trade-related constraints, the two sectors provided similar responses. The results are presented below:

Main non-tariff barriers for the flower sector:

- High and restrictive compliance fees on sanitary and phytosanitary requirements;
- Complicated certification procedures;
- Preconceived notions about the presence of the American bore worm causes very rigorous inspections, with the implication of consignment destruction at cost to the exporters in case of defective consignments;
- Standards on inputs for exporters to source certain inputs (e.g., polythene paper) from the European Union (though this was reportedly partially mitigated in the Ugandan case by firms drawing on donor country content facilities).

Other main trade-related challenges facing the flower sector:

- High freight costs;
- Poor infrastructure, particularly roads;
- High input costs.

Main non-tariff barriers for the fisheries sector:

- High costs of compliance with market regulations and standards, particularly costs for tests for microbiology or chemistry analysis.

Other main trade-related challenges facing the fisheries sector:

- Poor infrastructure, particularly roads;
- Costs of packaging inputs;
- Poor sanitary conditions upstream of the fisheries.

5.9 Zambia

The survey in Zambia covered a total of five firms from two sectors, namely flowers (three firms), and horticulture (two firms).

Preferences and preference erosion

Horticulture

Both horticulture firms covered in the survey reported that when they had been founded they were beneficiaries of preferences in their export markets. Both firms reported that they were beneficiaries of trade preferences under ACP only.

Neither of the firms reported being aware of the preference margin they benefited from under ACP. Nonetheless, both firms indicated that trade preferences were an important factor in sustaining their export operations, though not the most significant factor. On whether trade preferences were a significant consideration in sustaining their business relations with their importers or buyers abroad, one firm indicated that preferences were important but were not the most significant factor, while the other stated that they were not important. The latter firm argued that issues related to quality, reliability of supply, sunk costs associated with accessing markets, and to some extent regional competition, worked to negate any potential influence of preferences on specific buyer–seller relations.

With regard to the complete erosion of preferences, one firm anticipated that it would experience adverse impacts to a great extent in the event that trade preferences were completely eroded, while the other indicated that it would experience adverse effects to a limited extent. Neither was able to respond to the question about their estimation of a commercially meaningful preference margin for their export products to remain attractive on the export market.

Flowers

In the flower sector, all three firms surveyed in Zambia indicated that they had been beneficiaries of preferences when they were formally established. Two of the firms in the survey were found to be current beneficiaries of trade preferences under ACP, while one was found to be utilizing trade preferences under GSP only.

None of the three firms reported that they were aware of the preference margin they enjoyed under their respective markets; therefore, they were not able to estimate the preference margin enjoyed in their markets.

Two out of three firms indicated that trade preference were the most important factor sustaining their export operations to their main export markets, while one firm indicated that trade preferences were not important at all in influencing its trade operations. Similarly, two firms reported that trade preferences were a significant factor in determining their business relations with their importers or buyers abroad, while one firm felt that preferences were not important in this area.

In relation to the complete erosion of trade preferences, two of the three firms anticipated that they would suffer adverse impacts to a great extent in the event of complete preference erosion, while one indicated that it would not experience any adverse effects. None of the firms were able to respond to the question requiring them to estimate a commercially meaningful preference margin, which would keep their export products attractive on their export market.

Origin and trade facilitation
Certificates of origin

Horticulture

Regarding the three elements of the rules of origin (origin criteria, documentary evidence and direct consignment), domestic procedures on issuance of certificates of origin, and other aspects that might affect the firms' utilization of GSP preferences, both firms indicated that they had not experienced significant difficulties. Neither firm had ever experienced significant problems with rules relating to direct consignment.

Both firms indicated that electronic forms of certification would help reduce complications related to certificates of origin and that it would take one day to issue a certificate of origin. The two firms also considered that self-certification of the rules of origin would both improve export procedures and reduce their transaction costs. They were, however, unable to estimate the percentage of total transaction costs they would be able to save through self-certification.

Both firms stated that Zambia had no specific technical assistance requirements on rules of origin, particularly given the existence of a supportive export growers association (ZEGA). Neither firm could state the simplest methodology to describe the rules of origin for their products, as they did not consider rules of origin to be an issue for wholly originating products such as their flowers.

One firm indicated the preference margin that would offset costs of complying with certificate of origin or direct consignment requirements as 10 per cent or more on the European Union market, while the other did not know.

In relation to the new proposals by the European Union to establish a system for exporter registration from 2012 onwards, one firm responded that it would be comfortable with the new system, while one did not.

Flowers

All three firms surveyed in Zambia indicated that none of the elements – origin criteria, documentary evidence, direct consignment, domestic procedures on issuance of certificates of origin, or other aspects, affected them significantly to the extent of disrupting their utilization of GSP preferences. With specific reference to direct consignment rules, all three firms indicated that they had never encountered problems with those rules.

Two flower firms stated that electronic forms of certification would help reduce complications related to certificates of origin while one indicated that they would not. All three firms reported that the time taken to issue certificates of origin was one day. Two firms indicated that self-certification of the rules of origin would improve export procedures and only one firm stated that it would reduce their transaction costs. None were able to provide estimates of the percentage of total transaction cost savings that would result from self-certification.

None of the firms were of the view that Zambia had specific technical assistance requirements on the rules of origin related to flowers and none responded to the survey's assessment of the simplest methodology to describe rules of origin for them.

None of the firms were able to provide an estimate of the preference margin that would offset costs of complying with certificate of origin and direct consignment requirements in the European Union.

In relation to the European Union's proposed new system for exporter registration in 2012 onwards, all three flower firms stated that they would be comfortable with the new system.

Non-tariff barriers and other trade-related issues

For the two sectors covered in Zambia, the responses were generally similar, both in terms of non-tariff barriers and other trade challenges. The results are presented below:

Main non-tariff barriers for the flower sector:

- Irrational and unfair inspection practices in the European Union, such as full fee payments for 20–30 per cent consignment inspections;
- Double inspections in Zambia and in the export markets in the European Union, which ultimately increase product costs;
- Charging carbon-mile fees for air-freighted products escalates already high and rising freight costs;
- Inconsistent treatment of defective consignments, for example, some European Union countries simply re-route them to customers or countries that will accept defective or lower-standard products, while others insist on destroying them at the supplier's expense.

Other main trade-related challenges facing the flower sector:

- High freight costs, escalated by high taxes on fuel in Zambia and longer distances to the European Union market (than, say, to Kenya and Ethiopia);
- Poor infrastructure, particularly roads and to a lesser extent, handling equipment at the national airport;
- Domestic environment is not very business-friendly, with high operating costs due to many and often high taxes and high labour costs;
- High packaging costs.

Main non-tariff barriers for the horticulture sector:

- Carbon-mile fees charged on air-freighted products;
- Occasional problems with direct consignment rules;
- Inconsistent sanitary and phytosanitary rules and requirements, such as inspections and treatment of defective consignments among countries in the European Union, making the planning of business operations difficult.

Other main trade-related challenges facing the horticulture sector:

- High freight costs;
- Poor laboratory equipment for inspections;
- Poor infrastructure, particularly roads, especially in the rainy season;
- High duties on input such as packaging materials, escalating their costs;
- High labour costs;
- Unfriendly tax environment;
- Little support from government in providing key information.

Among the main non-tariff barriers indicated by Zambian horticultural firms were sanitary and phytosanitary arrangements in the European Union and generally, requirements such as carbon miles for air-freighted products and disparate rules about the treatment of defective consignments. Both firms stated that non-tariff barriers were sometimes difficult to identify, especially for exporter firms, as this sort of information filtered through marginally through import agents. The frequency of receiving information was reported to be erratic.

Other factors affecting trade for both firms were given as local cost conditions, with high taxes and many tax points, as well as few incentives for sectors such as horticulture, which has high diversification potential. Fuel levies were very high, making Zambian jet fuel the most expensive in the region. Two firms expressed significant concern that they were particularly disadvantaged, as their products can only be shipped via air freight. With higher fuel costs, the cost of freight was inevitably higher.

Flowers

Firms in the flower sector expressed concerns and challenges similar to those in the horticulture sector in relation to non-tariff and other trade barriers. The challenges associated with carbon miles and the inconsistent treatment of defective products was indicated – by one of the three firms – as being particularly problematic for maintaining export operations. The firm also elaborated on the challenges relating to higher fuel costs, and therefore, freight costs. Because of greater distances to the European Union market than counterpart firms in Kenya and Ethiopia, high in-country taxes, higher charges on carbon miles and higher air fares, firms found it hard to sustain an export orientation; the situation is compounded by too many factors and discourages exports.

Domestic export facilities and infrastructure were also pointed out as significant challenges to exports.

6. Discussion

6.1 Overview of sector responses and emerging issues

This chapter, which covers only those sectors surveyed in more than one of the countries in the study, aims to offer some comparisons and contrasts of sectors across countries. The relevant sectors are horticulture, textiles and clothing, flowers and fisheries.

Horticulture

Observations concerning this sector from two countries, Kenya and Zambia, are pooled and summarized in this section. Across the two countries, awareness of the actual preference margin existing in the exporters' respective markets was somewhat limited with only a few firms in Kenya reporting on the actual magnitude of preference margins they enjoyed. Firms generally considered that preferences were an important factor in sustaining their businesses, with most of the firms surveyed citing preferences as the most important factor in determining both export operations and relations with specific importers abroad. Similarly, all firms anticipated experiencing adverse effects from the complete erosion of trade preferences with just over 50 per cent of the pool sample indicating that this would be to a great extent and just fewer than 50 per cent, to a limited extent. Only one firm, in Kenya, was able to express the magnitude of a commercially meaningful preference margin for its exports to remain attractive in its export market.

On rules of origin issues, most of the firms had not faced significant problems with the key elements to the extent of affecting their utilization of GSP preferences. The few cases where problems were reported related mainly to domestic procedures and direct consignment. Most firms were of the opinion that some simplification initiatives on rules of origin such as electronic and self-certification would improve their businesses, lowering transaction costs. The majority of firms were not, however, able to quantify the required preference margin to offset their current costs of complying with certificate of origin and direct consignment requirements.

With reference to some of the changes to rules of origin procedures such as the new exporter registration proposal of the European Union, most firms in the sector indicated that they would be able to comply; only one firm, in Zambia, indicated that it anticipated compliance difficulties.

Textiles and clothing

Generally, the utilization of preferences by sampled firms across the five countries in the survey that export textiles and clothing – Kenya, Madagascar, Mauritius, Swaziland and the United Republic of Tanzania – is observed to be relatively high. Of course this is an artefact of the sector selection of this study.[17] For the sector, most firms in Kenya and Madagascar found it difficult to indicate the level of preference margin that they enjoyed in their respective markets, while those in Mauritius, Swaziland and the United Republic of Tanzania were generally able to estimate the preference margin they enjoyed. Despite the mixed results, firms overall considered preferences to be among the most important factors sustaining their export operations and maintaining their specific business relations with buyers or importers abroad. They all anticipated experiencing significant adverse impacts from the complete erosion of preferences in their markets. Except in Kenya, firms in all countries were able to report an estimated level of commercially meaningful preference margin that was required to keep their goods attractive in their markets.

Textiles and clothing firms across the countries revealed mixed experiences with rules of origin, trade facilitation and certificate of origin issues. In all countries, firms had experienced various problems with the key elements of origin criteria to the extent of affecting the utilization of GSP preferences; most countries indicated that a relaxation of the current criteria requiring double transformation would be most welcomed.

On the use of donor country content and cumulation facilities, again, the results were mixed. In Kenya and Swaziland, about 50 per cent of firms indicated having used one or both facilities, while in Mauritius and the United Republic of Tanzania, their use was considerably limited. Firms generally concurred that self- and electronic-certification facilitation arrangements would improve their export operations. Generally, the majority of firms in all countries were able to provide estimates of the commercially meaningful preference margin required to offset the costs of compliance with certificate of origin and/or direct consignment rules, suggesting a high understanding of their current costs associated with certification and direct consignment requirements.

Overall, few firms anticipated difficulties in complying with the European Union's proposed export registration requirement.

[17] As a reminder, country and sector selection are based on the level of preference utilization.

Fisheries

The fisheries sector was considered in Madagascar, Mauritius, Seychelles, Uganda and the United Republic of Tanzania, given the high levels of preference utilization in these countries. Responses concerning the awareness of the magnitude of preference margins that firms enjoyed were varied, with firms in Mauritius and Seychelles seemingly more aware than firms in the other three countries. In Mauritius, all firms gave at indication of this magnitude, while in Madagascar and the United Republic of Tanzania, only some firms were able to provide an estimate, and in Uganda none of the firms provided an estimate. Across the four countries, there was unanimity in the view that preferences were most important for sustaining export business operations and relations with clients abroad. Furthermore, all firms anticipated significant adverse impacts of the erosion of preference margins; across the three countries, only one firm, in Uganda, was unable to provide an estimate of the commercially meaningful level of preference margin required to keep exports competitive in their respective markets.

In general, the firms indicated that they did not face significant problems with rule of origin issues, except in the case of Uganda, where the two firms surveyed experienced significant problems with domestic procedures and in Seychelles where they indicated that the possibility of use of fish caught by non-European registered vessels would be welcomed. Firms generally agreed that various facilitation arrangements were helping or in the case of proposed or forthcoming arrangements, might help improve their trade performance, lowering transaction costs. Save for one firm in Uganda, all firms indicated that they would be comfortable with the new proposal by the European Union on export registrations.

Flowers

Four countries, Kenya, Uganda, the United Republic of Tanzania and Zambia were surveyed in the flower sector. The expression of awareness of preference levels was mixed within countries. In Uganda, all firms were able to provide estimates of the preference margin, while in Kenya and the United Republic of Tanzania; a few were able to provide the estimate, compared with none in Zambia. All firms, however, indicated that preferences were the most significant element in determining export operations and relations with buyers and that preference erosion would have significant, adverse impacts on their businesses. A number of firms (except in Zambia) were able to express commercially meaningful levels of the preference margin needed to keep their exports competitive.

On rules of origin and trade facilitation issues, the findings were very mixed indeed, both across and within countries. None of the results obtained from the firms across the four countries were overly remarkable or unique, at least not to the extent of warranting specific comment here.

6.2 Informing the Aid for Trade debate

It is widely accepted that trade can be an engine for growth as well as a vehicle for poverty alleviation in many developing countries. However supply-side constraints become barriers to achieving trade at the potential which is required to make it a growth engine. These constraints are the target for Aid for Trade programmes.

The preference erosion firm survey reveals a number of informative issues related to some of these supply-side constraints and also reveals some successes where such constraints have been addressed. These issues, discussed in detail further below, include the following:

- Infrastructure supply-side issues;
- Productive capacity issues;
- Trade policy-related issues;
- Adjustment assistance issues.

Infrastructure supply-side issues

Poor road and rail infrastructure and poor port equipment were cited as key constraints by some firms in the survey (Kenya, Malawi, Madagascar, Swaziland, Uganda and Zambia), while port inefficiency was cited by others (Kenya, Madagascar, Mauritius and Swaziland).

Productive capacity issues

Inadequate shipping lines (Madagascar, Mauritius), incapacity for bodies responsible for sanitary and phytosanitary-related inspections to undertake their work (Madagascar) and streamlining of export-testing procedures (Mauritius) were issues raised by firms in the survey that require attention in order to improve their productive capacities. Another critical issue affecting the firms' supply-chain efficiency was long export procedures (Madagascar, Mauritius and Swaziland).

Though a global phenomenon, one particularly changing issue for export trade has to do with rising fuel prices. This has increased freight costs and has the potential to significantly and adversely affect firms' export performance. Quick pragmatic steps are needed to tackle the fuel price escalation in many of the countries covered in this survey; solutions may lie in governments finding ways to subsidize, rather than tax, fuel.

Other challenging aspects that make planning difficult and discourage investment are exchange rate volatilities and high interest rates on credit, respectively. Exchange rate movements were noted in some cases as problematic by some firms, which is not surprising in environments where information and knowledge about hedging is not widespread.

Trade policy-related issues

The textile firms in the survey highlighted the impact of non-tariff barriers that require firms to tailor production process to suit social compliance standards or a buyer-specific environmental compliance requirements and consequently affect their operations and increase costs (Madagascar and Mauritius). These issues should be addressed at the level of trade policy negotiations between host countries and export markets.

Adjustment assistance issues

It is clear from the survey that all the firms consider that the erosion of preferences would have a negative impact on their competitiveness. Some 64 percent of the firms were set up on the basis of existing preferences in export markets. The study did not estimate transaction costs, but clearly showed the need for such adjustment support in the event of preference erosion.

7. Conclusion

This study has sought to determine how the erosion of preferential treatment that ESA country goods have enjoyed might affect exporting firms from the region. In this regard, it has also sought to determine the possible rules of origin changes, including trade facilitation procedures and streamlining of the current system of the issuance of rules of origin and related documentation in preference-awarding countries, which could be used to offset the adverse effects of preference erosion.

Based on a multi-country survey of selected sectors in 10 countries, the study makes a number of important observations. The perspective captured by the study is from the micro-level, as the firms covered are those that benefit from trade preferences and may stand to directly experience the adverse effects of preference erosion.

Interestingly, the vast majority of firms across all sectors are aware that the trade preferences they enjoy in the European Union and United States markets are an important and decisive factor in sustaining export orientation to those markets. The firms in these sectors may not be able to calculate and state the levels of the preference margin they enjoy compared with firms from other regions, but are generally able to estimate the range of preference margin that would help ensure that they remain export oriented in their current market. Firms were able to categorically state the impacts of substantial preference erosion beyond commercially meaningful levels (i.e., erosion of the preference margin to the extent that ESA export products are not longer attractive to buyers or importers in the European Union or the United States), which would include switching production lines or closing their businesses. This is an important policy concern for ESA countries, particularly given the export diversification, growth and poverty-reduction potential of these sectors.

The survey requested general views on firms' compliance with rules of origin. Most firms were compliant, but those exporting fishery products and clothing experienced a number of difficulties with origin requirements. With specific reference to the rules of origin for clothing (as well as for other sectors, though to a somewhat lesser extent), most firms indicated that they could not comply with current rules requiring double processing requirements.

Regarding one important technical aspect that should inform the debate on rules of origin in the ESA region and the discussions on rules of origin with a major trading partner, 28 firms clearly indicated a preference for the adoption of a specific working or processing as preferred origin criteria, while only 11 expressed a preference for the percentage criteria and 6, a change of tariff classification criteria.

Non-tariff and other systemic trade barriers such as supply-side constraints were also cited by the firms as major impediments to trade. Aid for Trade strategies have the potential to be an instrumental vehicle for addressing some of these barriers and helping to sustain export diversification and export orientation.

In conclusion, the survey findings deliver a strong message to those involved in policy debates: preferences do matter to firms and can be decisive in ensuring that they remain in the export business; further, they contribute towards general economic growth.

Annex 1

Results summary tables

Country	Sector	If you benefit from preferences, are you aware of the preference margin?			
		No	Yes	No response	Total
Kenya	Flowers	0	2	1	3
	Fruit	0	0	1	1
	Horticulture	1	3	1	5
	Textiles	7	1	1	9
Kenya (total)		8	6	4	18
Madagascar	Fisheries	2	1	1	4
	Textiles	1	1	2	4
	Vanilla	5	0	1	6
Madagascar (total)		8	2	4	14
Malawi	Tobacco	5	1	0	6
Malawi (total)		5	1	0	6
Mauritius	Fisheries	0	4	0	4
	Textiles	0	8	0	8
Mauritius (total)		0	12	0	12
Swaziland	Fruit processing	1	1	0	2
	Textiles	1	7	1	9
Swaziland (total)		2	8	1	11
Uganda	Fisheries	2	1	0	3
	Flowers	0	5	1	6
Uganda (total)		2	6	1	9
Zambia	Flowers	3	0	0	3
	Horticulture	2	0	0	2
Zambia (total)		5	0	0	5
Grand total		**30**	**35**	**10**	**75**

		Are trade preferences an important factor in sustaining your export operations?				
Country	Sector	Yes, most important	Yes, very important	Yes, but only mildly important	No	Total
Kenya	Flowers	3	0	0	0	3
	Fruit	1	0	0	0	1
	Horticulture	5	0	0	0	5
	Textiles	7	2	0	0	9
Kenya (total)		16	2	0	0	18
Madagascar	Fisheries	4	0	0	0	4
	Textiles	3	1	0	0	4
	Vanilla	1	4	1	0	6
Madagascar (total)		8	5	1	0	14
Malawi	Tobacco	2	2	1	1	6
Malawi (total)		2	2	1	1	6
Mauritius	Fisheries	4	0	0	0	4
	Textiles	8	0	0	0	8
Mauritius (total)		12	0	0	0	12
Swaziland	Fruit processing	1	0	1	0	2
	Textiles	7	2	0	0	9
Swaziland (total)		8	2	1	0	11

		Are trade preferences an important factor in sustaining your export operations?				
Country	**Sector**	**Yes, most important**	**Yes, very important**	**Yes, but only mildly important**	**No**	**Total**
Uganda	Fisheries	0	3	0	0	3
	Flowers	6	0	0	0	6
Uganda (total)		6	3	0	0	9
Zambia	Flowers	2	0	1	0	3
	Horticulture	0	2	0	0	2
Zambia (total)		2	2	1	0	5
Grand total		54	16	4	1	75

		Is the availability of the preference margin a crucial, decisive element in your specific business relations with your buyer?					
Country	**Sector**	**No response**	**Yes, significantly**	**Yes, to some extent**	**No**	**No response**	**Total**
Kenya	Flowers	1	2	0	0	0	3
	Fruit	0	1	0	0	0	1
	Horticulture	0	4	0	1	0	5
	Textiles	0	8	1	0	0	9
Kenya (total)		1	15	1	1	0	18
Madagascar	Fisheries	0	4	0	0	0	4
	Textiles	0	2	1	0	1	4
	Vanilla	0	4	1	1	0	6
Madagascar (total)		0	10	2	1	1	14
Malawi	Tobacco	0	2	1	3	0	6
Malawi (total)		0	2	1	3	0	6
Mauritius	Fisheries	0	4	0	0	0	4
	Textiles	0	8	0	0	0	8
Mauritius (total)		0	12	0	0	0	12
Swaziland	Fruit processing	0	1	0	1	0	2
	Textiles	0	9	0	0	0	9
Swaziland (total)		0	10	0	1	0	11
Uganda	Fisheries	0	3	0	0	0	3
	Flowers	0	6	0	0	0	6
Uganda (total)		0	9	0	0	0	9
Zambia	Flowers	0	2	0	1	0	3
	Horticulture	0	0	1	1	0	2
Zambia (total)		0	2	1	2	0	5
Grand total		1	60	5	8	1	75

		Was preference availability a critical, decisive element in influencing the initial decision for your company to start exporting?				
Country	**Sector**	**No**	**Not applicable**	**Yes**	**No response**	**Total**
Kenya	Flowers	0	0	2	1	3
	Fruit	0	0	0	1	1
	Horticulture	1	0	3	1	5
	Textiles	1	0	7	1	9
Kenya (total)		2	0	12	4	18
Madagascar	Fisheries	0	0	3	1	4
	Textiles	1	0	1	2	4
	Vanilla	1	0	2	3	6
Madagascar Total		2	0	6	6	14

		Was preference availability a critical, decisive element in influencing the initial decision for your company to start exporting?				
Country	**Sector**	**No**	**Not applicable**	**Yes**	**No response**	**Total**
Malawi	Tobacco	2	0	1	3	6
Malawi (total)		2	0	1	3	6
Mauritius	Fisheries	0	0	4	0	4
	Textiles	0	0	8	0	8
Mauritius (total)		0	0	12	0	12
Swaziland	Fruit processing	0	0	1	1	2
	Textiles	0	0	9	0	9
Swaziland (total)		0	0	10	1	11
Uganda	Fisheries	2	0	1	0	3
	Flowers	1	0	5	0	6
Uganda (total)		3	0	6	0	9
Zambia	Flowers	0	1	1	1	3
	Horticulture	1	1	0	0	2
Zambia (total)		1	2	1	1	5
Grand total		10	2	48	15	75

		Would preference erosion negatively impact your business?						
Country	**Sector**	**No**	**Yes, to a great extent**	**Yes, to a limited extent**	**Depends on extent of erosion**	**Not at all**	**No response**	**Total**
Kenya	Flowers	1	2	0	0	0	0	3
	Fruit	0	1	0	0	0	0	1
	Horticulture	0	3	2	0	0	0	
	Textiles	0	9	0	0	0	0	9
Kenya (total)		1	15	2	0	0	0	18
Madagascar	Fisheries	0	3	0	0	0	1	4
	Textiles	0	3	0	1	0	0	4
	Vanilla	0	3	0	2	1	0	6
Madagascar (total)		0	9	0	3	1	1	14
Malawi	Tobacco	0	1	1	2	2	0	6
Malawi (total)		0	1	1	2	2	0	6
Mauritius	Fisheries	0	4	0	0	0	0	4
	Textiles	0	8	0	0	0	0	8
Mauritius (total)		0	12	0	0	0	0	12
Swaziland	Fruit processing	0	1	0	1	0	0	2
	Textiles	0	9	0	0	0	0	9
Swaziland (total)		0	10	0	1	0	0	11
Uganda	Fisheries	0	1	1	1	0	0	3
	Flowers	0	0	1	4	0	1	6
Uganda (total)		0	1	2	5	0	1	9
Zambia	Flowers	0	2	0	0	1	0	3
	Horticulture	0	1	1	0	0	0	2
Zambia (total)		0	3	1	0	1	0	5
Grand total		1	51	6	11	4	0	75

		Which elements have most affected your exports?							
Country	**Sector**	**Origin Criteria**	**Origin criteria, documentary evidence and direct consignment rules**	**Docu-mentary evidence**	**Direct consignment rules**	**Domestic proce-dures of certificate issuance**	**None**	**No res-ponse**	**Total**
Kenya	Flowers	0	0	1	0	0	2	0	3
	Fruit	0	0	0	0	0	1	0	1
	Horticulture	0	0	1	0	1	3	0	5
	Textiles	1	0	2	0	0	6	0	9
Kenya (total)		1	0	4	0	1	12	0	18
Madagascar	Fisheries	0	0	0	0	0	1	3	4
	Textiles	2	0	0	0	0	1	1	4
	Vanilla	0	0	0	0	0	1	5	6
Madagascar (total)		2	0	0	0	0	3	9	14
Malawi	Tobacco	0	0	3	1	0	2	0	6
Malawi (total)		0	0	3	1	0	2	0	6
Mauritius	Fisheries	0	3	0	0	0	0	0	4
	Textiles	3	0	0	0	0	0	1	8
Mauritius (total)		3	3	0	0	0	0	1	12
Swaziland	Fruit processing	0	0	0	0	0	2	0	2
	Textiles	2	0	0	1	2	3	1	9
Swaziland (total)		2	0	0	1	2	5	1	11
Uganda	Fisheries	0	0	0	0	3	0	0	3
	Flowers	0	0	0	0	4	2	0	6
Uganda (total)		0	0	0	0	7	2	0	9
Zambia	Flowers	0	0	0	0	0	3	0	3
	Horticulture	0	0	0	0	0	2	0	2
Zambia (total)		0	0	0	0	0	5	0	5
Grand total		8	3	7	2	10	29	11	75

		Has your firm taken advantage of donor content facilities?			
Country	**Sector**	**No**	**Yes**	**No response**	**Total**
Kenya	Flowers	2	0	1	3
	Fruit	0	0	1	1
	Horticulture	3	0	2	5
	Textiles	8	1	0	9
Kenya (total)		13	1	4	18
Madagascar	Fisheries	3	0	1	4
	Textiles	3	0	1	4
	Vanilla	3	0	3	6
Madagascar (total)		9	0	5	14
Malawi	Tobacco	5	1	0	6
Malawi (total)		5	1	0	6
Mauritius	Fisheries	4	0	0	4
	Textiles	8	0	0	8
Mauritius (total)		12	0	0	12

		Has your firm taken advantage of donor content facilities?			
Country	**Sector**	**No**	**Yes**	**No response**	**Total**
Swaziland	Fruit processing	2	0	0	2
	Textiles	5	3	1	9
Swaziland (total)		7	3	1	11
Uganda	Fisheries	1	2	0	3
	Flowers	0	5	1	6
Uganda (total)		1	7	1	9
Zambia	Flowers	3	0	0	3
	Horticulture	2	0	0	2
Zambia (total)		5	0	0	5
Grand total		52	12	11	75

		Has your firm taken advantage of cumulation facilities?			
Country	**Sector**	**No**	**Yes**	**No response**	**Total**
Kenya	Flowers	1	0	2	3
	Fruit	0	0	1	1
	Horticulture	0	0	2	2
	Horticulture	2	0	0	2
	Horticulture	1	0	0	1
	Horticulture	3	0	2	5
	Textiles	7	1	1	9
Kenya (total)		11	1	6	18
Madagascar	Fisheries	2	0	2	4
	Textiles	3	0	1	4
	Vanilla	2	0	4	6
Madagascar (total)		7	0	7	14
Malawi	Tobacco	6	0	0	6
Malawi (total)		6	0	0	6
Mauritius	Fisheries	4	0	0	4
	Textiles	7	0	1	8
Mauritius (total)		11	0	1	12
Swaziland	Fruit processing	2	0	0	2
	Textiles	8	0	1	9
Swaziland (total)		10	0	1	11
Uganda	Fisheries	1	1	1	3
	Flowers	0	5	1	6
Uganda (total)		1	6	2	9
Zambia	Flowers	3	0	0	3
	Horticulture	2	0	0	2
Zambia (total)		5	0	0	5
Grand total		51	7	17	75

		Have you encountered any difficulty with the direct consignment rule?			
Country	**Sector**	**No**	**Yes**	**No response**	**Total**
Kenya	Flowers	2	0	1	3
	Fruit	1	0	0	1
	Horticulture	4	0	1	5
	Textiles	5	3	1	9
Kenya (total)		12	3	3	18
Madagascar	Fisheries	3	0	1	4

		Have you encountered any difficulty with the direct consignment rule?			
Country	**Sector**	**No**	**Yes**	**No response**	**Total**
	Textiles	3	0	1	4
	Vanilla	5	0	1	6
Madagascar (total)		11	0	3	14
Malawi	Tobacco	5	1	0	6
Malawi (total)		5	1	0	6
Mauritius	Fisheries	3	1	0	4
	Textiles	6	1	1	8
Mauritius (total)		9	2	1	12
Swaziland	Fruit processing	1	1	0	2
	Textiles	7	1	1	9
Swaziland (total)		8	2	1	11
Uganda	Fisheries	3	0	0	3
	Flowers	0	4	2	6
Uganda (total)		3	4	2	9
Zambia	Flowers	3	0	0	3
	Horticulture	2	0	0	2
Zambia (total)		5	0	0	5
Grand total		53	12	10	75

		Do you think electronic certification could help reduce complications associated with certificates of origin?			
Country	**Sector**	**No**	**Yes**	**No response**	**Total**
Kenya	Flowers	0	3	0	3
	Fruit	0	1	0	1
	Horticulture	0	5	0	5
	Textiles	1	6	2	9
Kenya (total)		1	15	2	18
Madagascar	Fisheries	2	1	1	4
	Textiles	1	1	2	4
	Vanilla	4	2	0	6
Madagascar (total)		7	4	3	14
Malawi	Tobacco	2	4	0	6
Malawi (total)		2	4	0	6
Mauritius	Fisheries	1	3	0	4
	Textiles	7	0	1	8
Mauritius (total)		8	3	1	12
Swaziland	Fruit processing	0	1	1	2
	Textiles	1	7	1	9
Swaziland (total)		1	8	2	11
Uganda	Fisheries	0	3	0	3
	Flowers	0	4	2	6
Uganda (total)		0	7	2	9
Zambia	Flowers	1	2	0	3
	Horticulture	0	2	0	2
Zambia (total)		1	4	0	5
Grand total		20	45	10	75

		Do you think self-certification of rules of origin would substantially improve procedures?			
Country	**Sector**	**No**	**Yes**	**No response**	**Total**
Kenya	Flowers	0	3	0	3
	Fruit	0	1	0	1
	Horticulture	0	5	0	5
	Textiles	1	7	1	9
Kenya (total)		1	16	1	18
Madagascar	Fisheries	1	1	2	4
	Textiles	1	2	1	4
	Vanilla	3	0	3	6
Madagascar (total)		5	3	6	14
Malawi	Tobacco	1	4	1	6
Malawi (total)		1	4	1	6
Mauritius	Fisheries	0	4	0	4
	Textiles	0	7	1	8
Mauritius (total)		0	11	1	12
Swaziland	Fruit processing	0	2	0	2
	Textiles	0	8	1	9
Swaziland (total)		0	10	1	11
Uganda	Fisheries	0	3	0	3
	Flowers	0	4	2	6
Uganda (total)		0	7	2	9
Zambia	Flowers	1	2	0	3
	Horticulture	0	2	0	2
Zambia (total)		1	4	0	5
Grand total		8	55	12	75

		Do you think self-certification of the rules of origin would substantially lower the costs of a transaction?			
Country	**Sector**	**No**	**Yes**	**No response**	**Total**
Kenya	Flowers	0	3	0	3
	Fruit	0	1	0	1
	Horticulture	0	5	0	5
	Textiles	3	6	0	9
Kenya (total)		3	15	0	18
Madagascar	Fisheries	1	1	2	4
	Textiles	3	0	1	4
	Vanilla	4	0	2	6
Madagascar (total)		8	1	5	14
Malawi	Tobacco	1	5	0	6
Malawi (total)		1	5	0	6
Mauritius	Fisheries	0	4	0	4
	Textiles	0	7	1	8
Mauritius (total)l		0	11	1	12
Swaziland	Fruit processing	0	2	0	2
	Textiles	1	7	1	9
Swaziland (total)		1	9	1	11
Uganda	Fisheries	0	2	1	3

		Do you think self-certification of the rules of origin would substantially lower the costs of a transaction?			
Country	**Sector**	**No**	**Yes**	**No response**	**Total**
	Flowers	0	4	2	6
Uganda (total)		0	6	3	9
Zambia	Flowers	2	1	0	3
	Horticulture	0	2	0	2
Zambia (total)		2	3	0	5
Grand total		15	50	10	75

		Which do you think is the simplest methodology to describe a certain origin criterion?						
Country	**Sector**	**Percentage criteria**	**Change of tariff heading**	**Specific working or processing requirement**	**Other origin criterion**	**Other (none of these for wholly originating goods)**	**No response**	**Total**
Kenya	Flowers	2	0	0	0	0	1	3
	Fruit	1	0	0	0	0	0	1
	Horticulture	1	0	1	0	0	0	2
	Horticulture	2	0	0	0	0	0	2
	Horticulture	0	0	1	0	0	0	1
	Textiles	1	1	6	0	0	1	9
Kenya (total)		7	1	8	0	0	2	18
Madagascar	Fisheries	0	0	0	0	0	4	4
	Textiles	0	0	0	1	0	3	4
	Vanilla	2	0	0	0	0	4	6
Madagascar (total)		2	0	0	1	0	11	14
Malawi	Tobacco	1	1	4	0	0	0	6
Malawi (total)		1	1	4	0	0	0	6
Mauritius	Fisheries	0	0	4	0	0	0	4
	Textiles	0	0	6	1	0	1	8
Mauritius (total)		0	0	10	1	0	1	12
Swaziland	Fruit processing	0	0	2	0	0	0	2
	Textiles	1	4	3	0	0	1	9
Swaziland (total)		1	4	5	0	0	1	11
Uganda	Fisheries	0	0	1	0	0	2	3
	Flowers	0	0	0	0	0	6	6
Uganda (total)		0	0	1	0	0	8	9
Zambia	Flowers	0	0	0	0	3	0	3
	Horticulture	0	0	0	0	2	0	2
Zambia (total)l		0	0	0	0	5	0	5
Grand total		11	6	28	2	5	23	75

Country	Sector	Are you comfortable with the exporter registration system proposed by the European Union?				
		Don't know	No	Yes	No response	Total
Kenya	Flowers	2	0	0	1	3
	Fruit	0	0	1	0	1
	Horticulture	0	0	5	0	5
	Textiles	1	2	3	3	9
Kenya (total)		3	2	9	4	18
Madagascar	Fisheries	0	1	0	3	4
	Textiles	0	0	3	1	4
	Vanilla	0	6	0	0	6
Madagascar (total)		0	7	3	4	14
Malawi	Tobacco	3	0	3	0	6
Malawi (total)		3	0	3	0	6
Mauritius	Fisheries	0	0	4	0	4
	Textiles	0	0	7	1	8
Mauritius (total)		0	0	11	1	12
Swaziland	Fruit processing	0	0	2	0	2
	Textiles	0	0	8	1	9
Swaziland (total)		0	0	10	1	11
Uganda	Fisheries	2	0	1	0	3
	Flowers	0	1	3	2	6
Uganda (total)		2	1	4	2	9
Zambia	Flowers	0	0	3	0	3
	Horticulture	0	1	1	0	2
Zambia (total)		0	1	4	0	5
Grand total		8	11	44	12	75

Textile sector only: current European Union rules of origin have a double-processing requirement. For instance, if you wish to manufacture garments classified under Chapter 6.2, third-country fabrics cannot be used. Under the provision of economic partnership agreement rules of origin, certain changes have been made to the above-mentioned rules.

	Textile	Can your firm comply with these rules of origin?				
Country	sector	No	Not applicable	Yes	No response	Total
Kenya		6	0	0	3	9
Madagascar		0	0	2	2	4
Mauritius		0	0	5	3	8
Swaziland		7	0	1	1	9
Grand total		13	1	8		

Country	Textile sector	If not, and you produce garments classified under Chapter 6.2, not knitted or crocheted, please explain why you cannot comply by selecting the appropriate reason (a,b or c)				
		a	b	c	No response	Total
Kenya		2	2	2	3	9
Madagascar		0	0	0	4	4
Mauritius		0	0	0	8	8
Swaziland		7	0	0	2	9
Grand total		9	2	2	0	

a – I produce garments, not knitted or crocheted classified under Chapter 6.2, and I import the fabric from a third country which is not an ACP State in the case of European Union cumulation or not an AGOA member country.

b – I produce garments classified under Chapters 6.1 and 6.2 and I import the fabric from other ACP countries or African countries members of AGOA. However, I have not made use of the cumulation provisions.

c – Other

Country	Textile sector	If you cannot comply with the rules because you import the fabric, what are the main reasons (a, b, c or d) to continue importing the fabric and forgo tariff preferences?					
		a	b	c	d	No response	Total
Kenya		0	1	0	4	4	9
Madagascar		0	0	0	0	4	4
Mauritius		0	0	0	0	8	8
Swaziland		3	1	1	2	2	9
Grand Total		3	2	1	6	0	12

a – The imported fabric is cheaper and I can afford to forgo tariff preferences.

b – The quality of the imported fabric is the most important reason.

c – My company is affiliated with the company supplying the fabric.

d – Other

Country	Textile sector	Do you think that a rule that will allow you to utilize imported uncut fabric to make garments classified under 62 and to use yarn for all garments covered in Chapter 6.1 and obtain duty-free entry in the European Union and the United States will help you?			
		Yes	Don't know	No response	Total
Kenya		6	0	3	9
Madagascar		1	0	3	4
Mauritius		1	2	5	8
Swaziland		8	0	1	9
Grand total		16	2	0	18

Country	Textile sector	Do you think that the current rules requiring specific processing requirements such as manufacturing from yarn take into account other substantial working or processing, such as embroidery, printing and dyeing, and other manufacturing operations, adding considerable value?			
		No	Yes	No response	Total
Kenya		3	3	3	9
Madagascar		1	1	2	4
Mauritius		0	5	3	8
Swaziland		0	8	1	9

Country	In the case of knitted or crocheted garments covered in Chapter 6.1, the European Union rules of origin require garments that are obtained by sewing together or otherwise assembling, two or more pieces of knitted or crocheted fabric which have been either cut to form or obtained directly to form, to be manufactured from yarn. For the remaining garments classified under Chapter 6.1, the requirement is to manufacture from natural fibres, man-made staple fibres, chemical material or textile pulp.			
Textile sector	Can your firm comply with the requirements described above?			
	No	Yes	No response	Total
Kenya	5	0	4	9
Madagascar	0	1	3	4
Mauritius	4	1	3	8
Swaziland	7	1	1	9

Country		If you produce knitted and crocheted garments covered in Chapter 6.1 and you cannot comply, please explain why you cannot comply.			
Textile sector		a	b	No response	Total
Kenya		4	1	4	9
Madagascar		0	0	4	4
Mauritius		2	0	6	8
Swaziland		2	0	7	9

a) I produce garments, knitted or crocheted classified under Chapter 6.1, and I import the yarn or fabrics from a third country that is not an ACP or AGOA member.
b) I produce knitted and crocheted garments under Chapters 61 and I import the yarn or fabric from ACP countries. However, I do not use the cumulation facilities.

A sufficient processing threshold of 30 per cent (50 per cent for non-LDCs) of the ex-works price where sufficient processing threshold refers to the minimum local value content required to consider a manufacture as a working or a processing operation sufficient to confer originating status on the product, expressed as a percentage of the ex works price; the ex-works price is the price paid for the product ex-works to the manufacturer in whose undertaking the last working or processing is carried out provided that the price includes the value of all the materials used, minus any internal taxes that are, or may be, repaid when the product obtained is exported; local value content is the value added in the beneficiary country, that is, the difference between the ex-works price and the value of the non-originating materials used.						
Country	Textile sector	Can you comply with the proposed percentage requirement?				
			No	Yes	No response	Total
Kenya			3	3	3	9
Madagascar			0	2	2	4
Mauritius			8	0	0	8
Swaziland			2	5	2	9

Country		[See previous table.] If you cannot comply, why?		
	Textile sector	a	No response	Total
Kenya		2	7	9
Madagascar		0	4	4
Mauritius		0	8	8
Swaziland		2	7	9
Grand total		4	26	4

a) The cost of the fabric and non-originating material used are the major component of the ex-works price,
b) Other

Annex 2

Final questionnaire

Trade preference and rules of origin study: a survey of COMESA exporters

Are trade preferences important to COMESA producers and exporters, what is the possible impact of their erosion and how can Aid for Trade and trade reforms help?

Questionnaire

This questionnaire is meant to collect information that helps us understand the utilization and erosion impacts of preferences on exports to the European Union, the United States and Japan. It should therefore be administered only with respect to firms' export trade to the European Union, the United States and Japan.

The objectives of this questionnaire are as follows: (a) to gather inputs on the impact of erosion of trade preferences; (b) to identify issues and difficulties related to rules of origin that could be addressed during economic partnership agreement negotiations; (c) to propose projects and trade reforms that could be financed under the Aid for Trade initiative to increase competitiveness.

The purpose of this exercise is two-fold: (a) to understand the opportunities and challenges facing COMESA exporters or producers; (b) to identify the possible impact of preference erosion for the exporters or producers from COMESA member States with a view to establishing the possible measures that could be adopted or suggested to mitigate the possible adverse effects of preference. In particular, it aims to achieve the following goals:

- To identify key elements of the production and export processes or procedures of COMESA exporters that supply goods to foreign markets;
- To determine whether non-tariff barriers or other factors affect current COMESA exports to international markets, particularly to the European Union and United States markets or neighbouring countries, and what action can be taken to eliminate these obstacles;

  (The set of questions pertaining to these aims are contained in Sections 0 and I of this questionnaire).
- To determine the impact of the erosion of the current preference margin on the exports and sales of goods from COMESA member States in the United States and the European Union;
- To identify and recommend specific action that could offset the adverse effect of preference erosion in the area of rules of origin. This includes the identification of possible rules of origin changes, including trade facilitation procedures and streamlining of the current system of the issuance of rules of origin and related documentation in preference-giving countries, COMESA countries.

(The set of questions pertaining to these aims are contained in Sections II of this questionnaire. This is the main focus of this work).

Specific sections have also been included for exporters of textiles and clothing products, and fishery products, taking into account their importance in COMESA preferential trade.

(The set of questions pertaining to these aims are contained in Section III of this questionnaire. Respondents operating in industries outside the textiles and clothing, and fishery sectors should ignore Section III).

Questionnaire*
Section 0: Introduction: Profile of Your Company

Please identify yourself

1). Name of the Company:____

2). Your job title/position in the Company:_______________________________________

3). Email: ____

4). Phone: ____

5). Physical address: ____

____

____

____

6). What is the legal status of your company (e.g., PLC, LTD, partnership, etc.)? ____________

____

7). In what year was your company established? ____________________ [indicate year]

8). When did your company start exporting goods to its current main external market? __________________ [indicate year]

9). When your company started its export operation to the current export market, was it a beneficiary of preferences? [Encircle one]: Yes / No

10). What was your estimated share in your country exports of ____________________ [indicate your export good] in 2007? _____________________ [indicate percentage]

11). What was your total annual export value of your export good in 2007? ___________ ___________________________ [please indicate currency, e.g. ZK or US$, etc. and indicate whether FOB or CIF value]

12). Is there foreign capital invested in your company? [encircle one]: Yes / No [If no, skip to Question 13].

12.1). If yes, how it is represented? ____ [please indicate if loan capital, equity or both].

12.2). If so, what is the share of foreign ownership? ______________________________

*This questionnaire is reproduced in its original form, as sent to the firms involved in the survey.

12.3). If yes, what are: the name and contact details (psychical, postal, email addresses, phone, fax, etc.) of your foreign investment interest?

___

___

13). What is the total workforce of your company?___

13.1). Of which, how many are in management? ___

13.2). Of which, how many are in full-time non-management? ___

13.3). Of which, how many are casual/seasonal? ___

14). What was the annual turnover of your company in 2007? ___ [please indicate currency, e.g. ZK or US$, etc.].

15). Currently, what is your company's estimated capacity utilization? ___% [please note that the expected response is as a percentage].

16). What are the 5 most significant inputs into the production of your export commodity (e.g., salaries and wages, rent, land rates (user changes), overheads on water, electricity, communication, local transport, insurance, etc., international freight, etc.)? [please list the top 5 inputs and for each input, indicate the approximate proportion of Ex-Works price[18] that it accounts for]:

16.1). a) Input 1: ___

b) Approx. cost as % of Ex-Works Price: ___ %)

16.2). a) Input 2: ___

b) Approx. cost as % of Ex-Works Price: ___ %)

16.3). a) Input 3: ___

b) Approx. cost as % of Ex-Works Price: ___ %)

16.4). a) Input 4: ___

b) Approx. cost as % of Ex-Works Price: ___ %)

16.5). a) Input 5: ___

b) Approx. cost as % of Ex-Works Price: ___ %)

17). Please describe the supply-chain for delivering your export commodities to your main export market, by elaborating on each of the following:

[18] Ex-works price refers to the exporter's price, including the full cost of all materials and inputs and all internal taxes paid, but excluding all transportation and handling costs, customs duties, insurance and risk of loss of goods outside the exporter's factory. Simply, this is the price obtaining just outside the exporter's 'factory door'.

17.1). Once a consignment is ready for shipping, how is it transported to the port of exit?

____
____
____

17.2). What are the customs export procedures?

____
____
____

17.3). Do you have import agents, associations and/or facilitators that handle the consignment on your behalf? [if yes, please also provide names and contact details of your import agents and/or facilitators]:

____
____
____

17.4). What infrastructure and/or equipment should be in place for efficient shipment? [please be as detailed as possible]:

____
____
____

18). What are the key elements of the chain, which are outside your control? [please elaborate]:

____
____
____

Section I: Experiences with Non-Tariff Barriers (NTBs)

19). In descending order of importance, what kind of NTBs affect your exports/production to EU/AGOA and how? [Please list the kind of NTBs and for NTB, explain how this affects your exports/production].

19.1). a) NTB 1: ____

b) How this affects exports/production:______________________________

____
____

19.2). a) NTB

____

b) How this affects exports/production:

19.3). a) NTB

b) How this affects exports/production:

19.4). a) NTB

b) How this affects exports/production:

19.5). a) NTB

b) How this affects exports/production:

20). Please explain the possible remedial action(s) that could be undertaken to remove the NTBs you have described in question 19 above:

21). What trade policy measures do you think could be undertaken by major importers to ensure that small suppliers are not unduly affected by NTBs? [please explain]:

22). Over and above the issues you have listed, how do each of the following fair in affecting your exports?

22.1). Customs reform to improve export procedures (e.g., more information of changes in export procedure, etc.) [please elaborate]:

22.2). Infrastructure improvements like better roads, airport, ports [please elaborate]:

22.3). Reduce/subsidise the costs of shipment [please elaborate]:

22.4). Improve export credit facilities and financial services in the country [please elaborate]:

23). Please describe other actions that your government or the international community could put in motion to mitigate the possible adverse effects of traditional NTBs associated with operating in your industry.

24). What kind of information and support do you have from the local Ministry/Chamber of commerce or customs on market access and is this sufficient to actually improve your market access? [please elaborate]:

____
____
____
____
____

Section II – Part 1: General Questions on Preferences and Preference Erosion

25). What is the tariff line of the product you are exporting? __________________________ [indicate DK if respondent does not know].

25.1). What is the source of information on the tariff line on your export product? [encircle one]:

(a) I have no idea

(b) I was given by my importer

(c) I was given by my export agent

(d) I was given by a public institution (e.g., Ministry/Chamber of Commerce)

(e) It has always been part of our record keeping information

(f) Other.Explain: ____

(g) Not applicable [encircle this only if DK is indicated in 25]

26). Which of the following preferences are you using for your export transactions?

26.1). ACP: Yes / No [If yes, skip to question 26.2 below]

26.1.1). If no, why are you not utilizing this preference?

a) Because you are exporting to other markets that provide such preferences

b) Because you are unaware of these preferences

c) Because there are too many formalities and you prefer to pay normal customs duties

d) Other reasons. Please explain: __________________________________

26.2). GSP: Yes / No [If yes, skip to question 26.3 below]

26.2.1). If no, why are you not utilizing this preference?

a) Because you are exporting to other markets that provide such preferences
b) Because you are unaware of these preferences
c) Because there are too many formalities and you prefer to pay normal customs duties
d) Other reasons. Please explain: ________________________________

26.3). AGOA: Yes / No [If yes, skip to question 26.4 below]

26.3.1). If no, why are you not utilizing this preference?

a) Because you are exporting to other markets that provide such preferences
b) Because you are unaware of these preferences
c) Because there are too many formalities and you prefer to pay normal customs duties
d) Other reasons. Please explain: ________________________________

26.4). Other regional preferences [please specify]: ____________________________ Yes / No [If yes, skip to question 26.3 below]

26.4.1). If no, why are you not utilizing this preference?

a) Because you are exporting to other markets that provide such preferences
b) Because you are unaware of these preferences
c) Because there are too many formalities and you prefer to pay normal customs duties
d) Other reasons. Please explain: ________________________________

27). If you are benefiting from tariff preferences (including any of the above), are you aware of the preferential margin? [encircle one]: Yes / No [if no, skip to question 28]

27.1). If yes, what is the current amount of your preferential margin? [encircle all that apply; please note that multiple responses are acceptable, but please ensure to indicate the trade preference to which each preference margin you select refers, e.g. indicate: "GSP" or "ACP and GSP" etc.]

27.1.1). 1% - 3%; indicate the trade preference(s) to which the preference margin refers: ____

27.1.2). 3% - 6%; indicate the trade preference(s) to which the preference margin refers: ____

27.1.3). 6% - 10%; indicate the trade preference(s) to which the preference margin refers: ____

27.1.4). More than 10%; indicate the trade preference(s) to which the preference margin refers: ____

28). Are trade preferences an important factor in sustaining your company's export operations (i.e., decisions to continue exporting to your particular export markets)? [encircle one]:

a) Yes, most important

b) Yes, very important

c) Yes, but only mildly important

d) No, not important (i.e., not a factor at all) [If No, interviewer to probe as follows]: Please explain why not (e.g., quality of product issues, etc.) ____________________
____
____
____

e) Do not know / cannot say

f) Other [please specify]: ____

29). Is the availability of preferential margin a crucial decisive element in your specific business relation with your importer/buyer? [encircle one]:

a) Yes, significantly

b) Yes, to some extent

c) No [skip to Question 33]

30). If you replied "Yes, significantly" or "Yes, to some extent" in question 29, please state the reasons why such preferential margin is a crucial decisive element:

____
____
____
____

31). If you replied "Yes, significantly" or "Yes, to some extent" in question 29, was the availability of preferences a critical decisive element in influencing the initial decision for your company to engage in the production and/or export of your export commodity? [encircle one]: Yes / No

32). Please elaborate on your response in question 31 above:

____
____
____

33). In the case where there is to be an erosion of the preferential margin, would this have an impact on your business? [encircle one]:

a) Yes, to a great extent

b) Yes, but to a very limited extent

c) It depends on the extent of preference erosion [please elaborate]:

____

____

____

d) No, not at all

34). In the case where you have indicated "Yes, to a great extent", "Yes, but to a very limited extent" or "It depends on the extent of preferences erosion" in question 33 above, could you indicate the preferential margin that is commercially meaningful for your product to be sufficiently attractive for your buyer/importer? ______________________________________

35). In the case where there is total erosion of trade preferences, what kinds of initiatives or trade reforms should the Government or the preference-giving trading partner(s) undertake to compensate for the loss of preferential margins? [Please elaborate e.g., customs reforms, infrastructure development, shipment/transport subsidies, credit facilitation, etc.]:

____

____

____

____

36). Please explain what are the other factors that are critical for your buyer/importer to actually source your specific products? [please be as detailed as possible]:

____

____

____

____

____

Section II – Part 2: Origin and Trade Facilitation

37). The rules of origin consist of three main elements, namely, origin criteria, documentary evidence and the direct consignment rules. What is the element that in your experience has affected your firm's utilization of GSP preferences the most?

a) Origin criteria

b) Documentary evidence

c) Direct consignment rules

d) Domestic procedures on issuance of certificate of origin and related documentation

e) Other [please specify]:

____

f) none

37.1). Please indicate precisely the reasons why this element has affected your exports most.

____
____
____
____

38). With regard to each of the following, what particular problems are you encountering with the ***origin rules***, as applied?

a) Understanding the implications of the rules of origin for your product? [please elaborate]:

____
____
____

b) The need to adjust production processes or input sourcing to comply with the rules of origin in preference-giving countries? [please elaborate]:

____
____
____
____
____

c) The stringency and inadequacy of particular criteria for export products? [Please elaborate; particularly, are there specific cases that you wish to point out?]:

____
____
____
____

d) Any other problems or particular examples you wish to point out? [please elaborate]:____

____
____

39). Has your firm taken advantage of the donor country content facilities (sourcing inputs from EU/US/Japan), where applied (donor country, type of product, frequency, etc..)? [encircle one]: Yes / No [if No, skip to question 40]

39.1). If yes, were any problems encountered? [please elaborate]:

____

____

____

40). Has your firm taken advantage of the cumulation facilities, where applied (type of product, frequency, examples of regional inputs and sources)? [encircle one]: Yes / No [if No, skip to question 41]

40.1). If yes, were any problems encountered? [please elaborate]:

____

____

____

41). In your view, what improvements in each of the following would be most needed with respect to individual GSP schemes and all other preferences under AGOA, EPA?

a) administrative or certification procedures [please elaborate]: ___________________

____

____

b) consignment and other ancillary origin rules [please elaborate]: __________________

____

____

Direct consignment:

The rule that: "originating products must be transported direct from the exporting preference-receiving country to the preference-giving country of destination" is an important common feature of many preferential rules of origin. Its purpose is to enable the customs administration of the preference-giving country of importation to be satisfied that the imported products are identical with the products which left the exporting preference-receiving country, i.e. they were not manipulated, substituted, further processed or entered into commerce in any intervening third country.

In the case of exports to the EU, Japan, Norway and Switzerland, evidence that the requirements concerning direct transportation have been fulfilled must, for products passing through the territory of a third country, be supplied to the customs authorities in the importing countries by the presentation of:

- A through bill of lading drawn up in the exporting preference-giving country, covering the passage through the country or countries of transit; or
- A certificate by the customs authorities of the country or countries of transit:
  - giving an exact description of the products;

- stating the dates of unloading and reloading of the products or of their embarkation or disembarkation, identifying the ships used;
- certifying the conditions under which the products remained in the transit country or countries; or

- Failing these, any substantiating documents deemed necessary (for example, a copy of the order for the products, the supplier's invoice, and bills of lading establishing the route by which the products travelled).

42). Have you encountered any difficulty with this rule? [encircle one]: Yes / No [if No, skip to question 43]

42.1). If yes, please comment. ____
____
____

Certificate of origin:

A GSP Form A certificate of origin is required in the case of the EU GSP and under the GSP scheme of Japan. In the case of EPAs, Form EUR1 is required. While for Cotonou convention and for some product under the GSP scheme of Japan a Form EUR1 is required.

43). Do you think that other forms of certification, by electronic means, could help reduce the complications associated with the above Certificates of origin? [encircle one]: Yes / No [if No, skip to question 44]

43.1). If yes, how much did paper work related to issuance of certificates of origin cost you in 2007? ____ [please indicate currency]

43.2). If yes, can you give us an estimate as a percentage on the value of a shipment? ____ %

44). In your view, are there differences among the US and EU practices related to Certificates of origin? [encircle one]: Yes / No

44.1). What is the more business friendly and convenient practice? [please elaborate]:
____
____
____
____

45). How long (in number of days) does it take for the certificate of origin GSP Form A and/or for From EUR1 to be issued in your country? __________________ days [please state, “DK” if you do not know]

46). How much does it cost for the certificate of origin GSP Form A and/or for From EUR1 to be issued in your country? ______________________________ [please indicate currency, e.g. ZK or US$, and state, "DK" if you do not know].

47). Where Certificates EUR1 are applicable, how many forms have to be issued for one shipment? ___________________ [please indicate total number, and state, "DK" if you do not know].

48). Do you think that self-certification of rules of origin would substantially improve the procedures (e.g., improve speediness)? [encircle one]: Yes / No

49). Do you think that self-certification of rules of origin would substantially lower the costs of a transaction? [encircle one]: Yes / No [if No, skip to question 50].

49.1). If Yes, please provide a percentage of total cost-saving on transactions costs: ________________%

49.2). If Yes, indicate if you would have any problem(s)/reservations(s) about having your firm inspected by Foreign authorities in the case of doubts about your self-certification procedures [please elaborate]:

____
____
____
____

50). Do you think that your country or firm have specific requirements/needs for technical assistance regarding rules of origin? [encircle one]: Yes / No [if No, skip to question 51].

50.1). If yes, with regard to which particular problems? [please elaborate]: _____________
____
____
____

50.2). If yes, in what desirable form? [please elaborate]: _____________________________
____
____
____

51). What kind of improvement could be made to the process of issuance of certificate of origin in your country? [Please identify systemic and/or recurrent problems and make specific suggestions of improvements]:

51.1). Systemic/recurrent problems:

____
____
____
____

51.2). Suggested improvements:____
____
____
____

52). Without substantively making reference to the origin requirements contained in the rules below and just considering them from the point of view of understanding and applying the origin criterion, what, among the examples listed below, would be the simplest methodology to describe a certain origin criterion? [encircle one]:

a) Percentage criterion as shown below:

HS heading	Description of the product	Origin requirement
Ex 62.10 Ex. 62.16	Fire-resistant equipment of fabric covered with foil of aluminized polyester	Manufacture from uncoated fabric provided the value of the uncoated fabric used does not exceed 40% of the ex-works price of the product

b) Change of tariff – Heading – NAFTA model with exception as shown below:

A change at subheading level through all of Chapter 6.1 from any other Chapter except from heading 51.06 through 51.13, 52.04 through 52.12, 53.07 through 53.08 or 53.10 through 53.11, Chapter 54 or heading 55.08 through 55.16 or 60.01 through 60.02, provided that: (a) the good is both cut (or knit to shape) and sewn or otherwise assembled in the territory of one or more of the Parties, and (b) the visible lining fabric listed in Note 1 to Chapter 6.1 satisfies the tariff change requirements provided therein.

c) Specific working or processing requirement according to the EU model:

HS Chapter	Description of the product	Origin requirement
Ex. Chapter 6.2	Articles of apparel and clothing accessories not knitted or crocheted.	Manufacture from yarn

d) Other origin criterion not specified above [please explain]: ______________________
____
____
____

53). In your opinion, what is a preferential margin that could offset the cost of complying with the administrative requirement such as a certificate of origin, or direct shipment requirement?

53.1). EU Market [please encircle one]:

a) 1% to 3%
b) 3% to 6%
c) 6% to 10%
d) 10% or more
e) Don't know

53.2). USA Market [please encircle one]:

a) 1% to 3%
b) 3% to 6%
c) 6% to 10%
d) 10% or more
e) Don't know

53.3). If there is a difference in the margins between the two markets please explain the reasons for this:

____
____
____
____

54). Taking into account that rules of origin may utilize one of the different methodologies outlined in Question 61, what would be the most suitable rules of origin for your product? [encircle one]:

a) A percentage requirement based on value added

b) A percentage criterion based on value of materials

c) A specific working or processing operations

d) A change of tariff classification

Note on Registered exporters

From 2012 the EU is planning to introduce a system of registered exporter's .According to the new system only registered exporters will be authorized to made statement of origin for benefiting preferential tariff treatment. This will imply that certificate of origin will not longer needed but certifying authorities in Beneficiaries will have authority to designate registered exporters.

To be registered, exporters shall lodge an application with the competent authorities of the beneficiary country referred in accordance with a form.

The application shall be accepted by the competent authorities only if it is complete.

Before declaring goods for free circulation, the declarant shall take due care that the goods comply with the rules in this section by, in particular,

(a) Checking that the exporter is registered to make statements on origin regarding the products concerned and that the statement on origin contains all relevant information, and

(b) Obtaining, where appropriate, from the exporter written confirmation that the goods declared meet the conditions for preferential treatment.

55). Are you comfortable with the new system? Yes / No / do not know

55.1). If your replied Yes could you please give the reason

55.1.1). With this system I got my origin and related documents checked only periodically rather then on each consignment and I can deal directly with my importer if problems arise

55.1.2). Others

55.2). If you replied No could you please give the reason?

55.2.1). The new system provide too much authority and leverage to the Authorities in deciding how to register exporters and I am not sure that the list of registered exports could be updated in a efficient manner

55.2.2). Other reason

Section III: Part A – Rules of origin in textile and clothing to the EU market

The utilization of trade preferences by some COMESA countries is rather low. The following questions are designed to find out the reasons for such a low utilization and suggest possible action for improving utilization to cushion the possible implications of the phasing out of the quotas under the Agreement on textiles and clothing. Your replies are the key inputs of this research as they will serve to represent your interests in possible market access improvements

In fact current EU rules of origin are requiring a double processing requirement. For instance if you wish to manufacture garments of Chapter 6.2, third country fabrics cannot be used as visualized here below:

RAW COTTON (HS 5201)

↓

CARDING OR COMBING

↓

CARDED OR COMBED COTTON (HS 5203)

↓

SPINNING

↓

COTTON YARN (HS 5205-5207)

↓

WEAVING

↓

WOVEN FABRICS OF COTTON (HS 5208-5212)

↓

MAKING UP

↓

ARTICLES OF COTTON (ex Chapter 62)

Under the provision of EPA rules of origin, certain changes have been made to the above-mentioned rules. During 2008, negotiations will b conducted to finalize EPA rules of origin. Your replies are the key inputs of this research as they will serve to represent your interests in possible market access improvements.

56). Can your firm comply with the requirements described above? [encircle one]: Yes / No

56.1). If no, and you are producing garments of Chapter 6.2 not knitted or crocheted please give an explanation here below on the reasons why you cannot comply [encircle one]:

a) I am producing garments, not knitted or crocheted under Chapter 6.2, and I am importing the fabric from a third country which is not and ACP state in the case of EU cumulation or not an AGOA member country

b) I am producing garments under Chapters 6.1 and 6.2 and I am importing the fabric from other ACP countries or African countries member of AGOA. However, I have not made use of the cumulation provisions.

c) Other reasons [please explain]: ____

____

____

____

56.2). If you cannot comply with the rules because you are importing the fabric, what are the main reasons to continue importing the fabric and forego tariff preferences? [encircle one]:

a) The imported fabric is cheaper and I can afford to forego tariff preferences.

b) The quality of the imported fabric is the most important reason.

c) Your company is affiliated to the company supplying the fabric.

d) Other reasons [Please explain]:

____

____

____

____

____

57). Do you think that a rule that will allow you to utilize imported uncut fabric to make garments under 6.2 and to use yarn for all garments of Chapter 6.1 and get duty free entry in the EU and US will help you? [encircle one]:

(a) Yes, to a great extent

(b) Yes, but to a marginal extent

(c) No, since I am importing cut fabrics

(d) No, other reason

(e) I don't know / I cannot tell

58). Do you think that the current rules requiring a specific processing requirement such as "manufacturing from yarn" do not take into account other working or processing that are substantial such as embroidery, printing and dyeing, and other manufacturing operations, adding considerable value? [encircle one]: Yes / No

In the case of knitted or crocheted garments of chapter 6.1 EU rules of origin require for garments obtained by sewing together or otherwise assembling of two or more pieces of knitted or crocheted fabric which have been either cut to form or obtained directly to form manufacturing from yarn. For the remaining garments of chapter 6.1, the requirement is to manufacture from natural fibres, man-made staple fibres, chemical material or textile pulp.

59). Can your firm comply with the requirements described above? [encircle one]: Yes / No

60). If you are producing knitted and crocheted garments of Chapter 6.1 and you cannot comply, please give an explanation on why you cannot comply:

(a) I am producing garments, knitted or crocheted under Chapter 6.1, and I am importing the yarn or fabrics the from a third country which is not an ACP or an AGOA members.

(b) I am producing knitted and crocheted garments under Chapters 6.1 and I am importing the yarn or fabric from ACP countries. However, I am not using the cumulation facilities.

(c) Other reasons [Please explain]:

____

____

____

____

61). Taking into account that rules of origin for garments may utilize one of the different methodologies outlined in Question 52 (earlier), what would be the most suitable rules of origin for your production requirement for garments not knitted or crocheted under Chapter 6.2?[please state]:

____

____

____

____

____

62). Please also assign an indicative valued-added figure as numerical percentage of the Ex-works prince [calculated according to the formula show in the note to Question 65 (p.24)] to each operation in the cases presented here below:

62.1). Assembly and trimming of imported cut fabrics:

____

62.2). Assembly, trimming and cutting of uncut imported fabric:

____

____

62.3). Embroidery in the piece:

____

62.4). Printing accompanied by at least two preparatory or finishing operations (such as scouring, bleaching, mercerising, heat setting, raising, calendaring, shrink-resistance processing, permanent finishing, decatising, impregnating, mending and burling):

____

____

____

62.5). Other [please explain operation and assign indicative value-added]:

____

____

____

____

63). Taking into account that rules of origin for garments may utilize one of the different methodologies outlined in Question 61, what would be the most suitable rules of origin for you for knitted or crocheted garments of Chapter 6.1? [please state]:

____

____

____

____

64). Please also assign an indicative valued added figure as percentage of the imported material to each operation in cases presented here below:

64.1). Knitting to shape of imported yarn and finishing operations: ___________________

64.2). Assembly, trimming of uncut imported knitted fabric: ________________________

64.3). Assembly of imported parts knitted to shape: ________________________________

64.4). Printing accompanied by at least two preparatory or finishing operations (such as scouring, bleaching, mercerising, heat setting, raising, calendaring, shrink-resistance

processing, permanent finishing, decatising, impregnating, mending and burling): ____
____
____

64.5). Other [please explain operation and assign indicative value-added]: ____
____
____
____
____

Note on Recent Proposal by the EU commission on new rules of origin from 2009

According to such proposal the new rule of origin will be an across the board percentage criterion with some additional requirements for specific products calculated as follows:

A sufficient processing threshold of 30 % (or 50% for non-LDCs) of the ex-works price where sufficient processing threshold' means the minimum local value content required to consider a manufacture as working or a processing sufficient to confer originating status on the product, expressed as a percentage of the ex works price; ex-works price' means the price paid for the product ex-works to the manufacturer in whose undertaking the last working or processing is carried out, provided that the price includes the value of all the materials used, minus any internal taxes which are, or may be, repaid when the product obtained is exported; local value content' means the value added in the beneficiary country, being the difference between the ex-works price and the value of the non-originating materials used, expressed as a percentage of ex-works price; that may be expressed as the following formula:

$$\text{Local Value Content} = \frac{\text{Ex- works -price - value of non -originating material}}{\text{Ex -works price}} \times 100 = \geq 30\ \% \quad (\text{or} = \geq 50\ \%)$$

In the case of textile and clothing material the same formula will apply.

65). Can you comply with these percentage requirements? [encircle one] Yes / No

65.1). If no, you cannot comply could you please explain the reason?

65.1.1). The cost of the fabric and non originating material used are the major component of the ex-works price

65.1.2). Others

65.2). If you cannot comply could you give a preference for rules of origin you can comply with?

65.2.1). Manufacture from uncut fabric or

65.2.2). Assembly of parts cut or knit to shape or

65.2.3). All operations following the cutting of the fabric or knitting or crocheting the fabric directly to shape have been

65.2.4). Other Please specify

Section III: Part B – Rules of origin for fishery products to the EU market

The possible erosion of trade preferences in the fishery sector may be extremely critical for some COMESA countries .The following questions are designed to find out the possible measures that could pursued to mitigate the possible adverse effects of preference erosion and suggest possible action for enacting trade reforms or recur to Aid for trade measures of support improving. Your replies are the key inputs of this research as they will serve to represent your interests in possible market access improvements.

The current preferential margin on fishery products are quite high, with one of the highest (24%) being for canned tuna.

66). Do you think that erosion of these trade preferences will have an impact on your export operations?

a) Yes, erosion will significantly affect export operation
b) Yes, erosion will marginally affect export operation
c) No, erosion will not affect export operation, but I need a preference margin
d) No, I do not need trade preferences [skip to Question 77]

67). What could be for your firm a commercially meaningful preferential margin taking into account the rules of origin described below?

a) 5% or less
b) 5 to 10 %
c) 10 to 15 %
d) 15% and more

68). If preferences disappear what could be the remedial action by the Government and/or the international community to mitigate adverse effects and help you to maintain or improve your exports? [please elaborate]:

____
____
____
____
____

The actual rules of origin for origin for fishery products are as follows:

1. for products of Chapter 3

Manufacture in which all the materials of Chapter 3 used must be wholly obtained.

2. In order to be considered as wholly obtained products, products of sea fishing and other products taken from the sea outside the territorial waters must by caught by ACP or EU vessels. The terms "their vessels" and "their factory ships" as defined in Chapter 3 apply only to vessels and factory ships:

- which are registered or recorded in an EC Member State, in an ACP State or in an OCT
- which sail under the flag of an EC Member State, of an ACP State or of an OCT;
- which are owned to an extent of at least 50 per cent by nationals of States party to the Agreement, or of an OCT, or by a company with its head office in one of these States or OCT, of which the Chairman of the Board of Directors or the Supervisory Board, and the majority of the members of such boards are nationals of States party to the Agreement, or of an OCT, and of which, in addition, in the case of partnerships or limited companies, at least half the capital belongs to those States party to the Agreement or to public bodies or nationals of the said States, or of an OCT;
- Of which at least 50 % of the crew, master and officers included, are nationals of States party to the Agreement, or of an OCT.

3. Notwithstanding the provisions of paragraph 2, the Community shall recognise, upon request of an ACP State, that vessels chartered or leased by the ACP State be treated as "their vessels" to undertake fisheries activities in its exclusive economic zone under the following conditions:

- that the ACP State offered the Community the opportunity to negotiate a fisheries agreement and the Community did not accept this offer;
- that at least 50 % of the crew, master and officers included are nationals of States party to the Agreement, or of an OCT;
- that the charter or lease contract has been accepted by the ACP-EC Customs Cooperation Committee as providing adequate opportunities for developing the capacity of the ACP State to fish on its own account and in particular as conferring on the ACP State the responsibility for the nautical and commercial management of the vessel placed at its disposal for a significant period of time.

4. For products of Chapter 16 the rules of origin requirement is as follows:

Manufacture from animals of Chapter 1. All the materials of Chapter 3 must be wholly obtained material

69). Do you think that these rules of origin are stringent, given the fishing capacity of your local fleet? [encircle one and respond to the related question]:

69.1). Yes, but my firm can live with it.

69.1.1). Please comment further:

69.2). Yes, but there are no alternatives if we wish to export fish to the EU, as we do not have local fishing capacity.

69.2.1). Please comment:

69.3). Yes, they are overtly stringent and they limit the development of a local fleet and affect our capacity to allow other vessels to fish in our waters and export to the EU.

69.3.1). Please comment:

69.4). No, they are not stringent at all, given the size of our local fleet.

69.4.1). Please comment:

69.5). No, other rules of origin are not important in this case since SPS requirements matters much more.

69.5.1). Please comment:

70). **If you exporting Canned tuna:** Do you think that making the conditions of vessels more liberal, like allowing other Non-EU, Non ACP vessels to land Tuna to be used in local canneries would help in building supply/export capacity? [encircle one]: Yes / No

71). Do you think that the value tolerance of 15% or even more can help in building supply/export capacity? [encircle one]: Yes / N o

72). Please elaborate on your answer to question 71:

____
____
____
____
____

73). Specifically, for each statement indicate your level of agreement/disagreement with the remark, given your experiences?

73.1). To be meaningful value tolerance has to be more than 15 %

a) Strongly agree
b) Agree
c) Disagree
d) Strongly disagree

73.1.1). Please elaborate on your response in 73.1:

____
____
____
____ and if you indicated either a) or b), indicate percentage: ______________________________%

73.2). Commercially speaking, value tolerance is simply not workable

a) Strongly agree
b) Agree
c) Disagree
d) Strongly disagree

73.2.1). Please elaborate on your response in 73.2:

____
____
____
____

UNITED NATIONS

Printed at United Nations, Geneva – GE.11-52268 – February 2012 – 530 – **UNCTAD/ALDC/2009/5**