

Identify cumulation cases in Africa: The current quest for firms' testimony

*Executive round table on rules of origin: Rules of origin in a
fractioned world trade*

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Identifying cumulation opportunities in the African context: An UNCTAD/UK research study



- Cumulation may be an important element in the quest to facilitate compliance with ROO requirements and foster regional integration.

Positives

- Cumulation may provide a strong incentive for regional integration and establishment of regional value chains.

Negatives

- LDC WTO pointed out cumulation is the second best with respect to a liberal PSRO allowing sourcing from the most competitive supplier.
- Cumulation also comes with additional paperwork as it may be necessary to show evidence that the sourced inputs qualify for cumulation.

Challenges

- Besides Cambodia how many other success stories?

Placing cumulation into context

- Under the Cotonou Partnership Agreement (CPA) cumulation was granted among all African Caribbean Pacific countries (ACP) and with EU.
- The end of CPA meant that EU-ACP cumulation is only applicable among countries members of EPAs and cumulation with other ACP countries is granted subject to certain conditions.
- Under AGOA cumulation is granted to AGOA beneficiaries without prior conditionalities and AGOA beneficiaries are currently requesting AfCFTA.
- China DFQF introduced regional cumulation for ASEAN and ECOWAS.
- The case for “extended cumulation” when FTA member allow cumulation with a third party.

The issue at stake is to determine how cumulation and what kind of cumulation is effectively used or may be used by African firms.

Methodology to identify cumulation cases

- Differently from the Asian context we do not have a *prima facie* evidence that cumulation is effectively used by firms in the African context.

The combined methodology used:

- 1) The existing literature and experience to identify cumulation cases.
- 2) An input/output analysis developed by **Inama**¹ to identify possible cases of cumulation.
- 3) Questionnaires administered in cooperation with selected African countries.

¹ <https://www.cambridge.org/it/universitypress/subjects/law/international-trade-law/rules-origin-international-trade-2nd-edition?format=HB>

1) Preliminary results from literature reviews and experience

- Previous experience shows that bilateral cumulation is widely used by the South Africa automotive industry.
- Most interesting is the documented case of the scope for extended cumulation in the same sector for batteries manufactured in third countries such South Korea in the context of the EU-SADC EPA that may be interesting under the UK-SADC EPA.
- A review of EU legislation on ACP countries that have taken steps to implement the cumulation provisions contained in EPAs revealed that Mauritius has been one of the most active ACP countries in this regard.¹
- The report on AGOA of the US International Trade Commission provides a series of hints to effective use of cumulation that we are currently exploring. Request has been lodged to US ITC.

¹ [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018XC1112\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018XC1112(01)&from=EN) : Notice 2018/C 407/05 on cumulation in Mauritius from 12 November 2018 within the EU-ESA interim EPA

2) Using an input/output method

- An input-output matrix approach to match trade flows of imported inputs used in a party to an FTA to manufacture a finished products for export to the other party.
- The OECD's Trade in Value Added (TiVA) initiative share a similar conceptual framework, however TiVA utilizes an industry-level detail encompassing 36 industries i.e. not sufficiently disaggregated for RoO.
- The input-output¹ matrix has been developed using HS structure at subheading level - the structures and limitations inherent in the HS framework also need to be taken into account.

¹ <https://www.cambridge.org/it/universitypress/subjects/law/international-trade-law/rules-origin-international-trade-2nd-edition?format=HB>

Example: The methodology

Breaking the HS into output/input HS headings and subheading:

- Trade statistics are based on HS and RoO increasingly based on HS as well as CTC
- Output: Heading 16.04.14: Canned tuna
- Inputs:
 - a) HS 0302.31- Fresh tuna of albacore
 - b) HS 73.10.10 - Tin
 - c) HS 15.09.10 - olive oil

MDG exports to the EU (millions USD) and Inputs Suppliers

Main Exports											Main Inputs										
Basic Product (HS6)		Total Exports to WLD		Principal Export Destinations (with their respective ISO3 codes and shares in total exports of the product)							Inputs Product	Total Imports from World			Principal Suppliers (with their respective ISO3 codes and shares in total imports of the product)						
HS6 Code	HS6 Description	Value (\$ 000)	Share in All Exports of HS Chapter (%)	No. of Destinations	1st Destin.		2nd Destin.		3rd Destin.		HS6 Definition	Value (\$ 000)	Normal-ized Value (\$ 000)	Share in All Imports of Product Group	No. of Supplirs	1st Supplier		2nd Supplier		3rd Supplier	
					ISO3 Code	Exp. Share (%)	ISO3 Code	Exp. Shar e (%)	ISO3 Code	Exp. Share (%)						ISO3 Code	Exp. Share (%)	ISO3 Code	Exp. Share (%)	ISO3 Code	Exp. Share (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
750210	Nickel; unwrought, not alloyed	823,434	98.9	8	KOR	30.8	JPN	29.2	EUN	24.7	7501.10 - nickel mattes 7501.20 - nickel oxide sinters and other intermediate products	.	.	.	.	.	.	.	.	.	.
090510	Spices; vanilla, neither crushed nor ground	266,389	49.5	21	EUN	53.3	USA	30.5	CAN	5.0		.	.	.	.	.	.	.	.	.	.
090710	Spices; cloves (whole fruit, cloves and stems), neither crushed nor ground	246,714	45.8	47	IDN	39.1	IND	30.5	SGP	9.0		.	.	.	.	.	.	.	.	.	.
261400	Titanium ores and concentrates	172,015	68.0	5	CAN	53.3	USA	26.6	CHN	13.5		.	.	.	.	.	.	.	.	.	.
710813	Metals; gold, semi-manufactured	124,374	54.0	1	TUR	100.0	.	.	.	.	7108.12 - unwrought	.	.	.	.	.	.	.	.	.	.
810520	Cobalt; mattes and other intermediate products of cobalt metallurgy, unwrought cobalt, powders	111,428	99.8	8	EUN	25.0	SGP	19.2	USA	17.5	2605.00 - ores and concentrates 8105.30 - waste and scrap	.	.	.	.	.	.	.	.	.	.
030617	Crustaceans; frozen, shrimps and prawns, excluding cold-water varieties, in shell or not, smoked, cooked or not before or d	96,274	72.3	6	EUN	88.0	CHN	10.2	UNS	0.7	0306.36

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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
271019	Petroleum oils and oils from bituminous minerals, not containing biodiesel, not crude, not waste oils; preparations n.e.c.	74,288	98.4	33	EUN	37.6	UNS	35.3	ETH	16.0	2709.00 2714.10 2714.90	284	41	0.0	5	PAK	86.1	MYS	10.5	ARE	3.1
620342	Trousers, bib and brace overalls, breeches and shorts; men's or boys', of cotton (not knitted or crocheted)	68,917	27.9	21	USA	66.3	EUN	17.0	ZAF	13.1	6217.90 - parts, other than knitted or crocheted	783	9	5.1	11	EUN	69.2	UNS	24.5	CHN	2.8
710310	Stones; precious (other than diamonds) and semi-precious stones, unworked or simply sawn or roughly shaped, not strung, mou	57,052	24.8	18	CHN	87.8	EUN	3.9	IND	2.9	
710399	Stones; precious (other than diamonds) and semi-precious stones, (other than rubies, sapphires and emeralds), worked other	47,425	20.6	22	CHN	67.7	USA	15.2	EUN	13.7	7103.10 - unworked or simply sawn or roughly shaped	2	1	0.5	2	MUS	99.2	USA	0.8		.
330129	Oils, essential; n.e.c. in heading no. 3301 (terpeneless or not), including concretes and absolutes	40,309	98.2	25	IND	35.6	EUN	29.5	SGP	8.6	
200559	Vegetable preparations; beans, (not shelled), prepared or preserved otherwise than by vinegar or acetic acid, not frozen	36,662	84.5	1	EUN	100.0		.		.	0708.20 2006.00	2,516	179	23.9	3	UNS	98.9	EUN	1.1	IND	0.0
610910	T-shirts, singlets and other vests; of cotton, knitted or crocheted	34,061	13.3	32	ZAF	68.8	USA	19.6	EUN	9.6	5205.11 through 5206.45 - yarn of cotton 6117.90 - knitted or crocheted parts	19,714	173	161.8	16	CHN	39.9	IND	28.8	MUS	10.9

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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
610990	T-shirts, singlets and other vests; of textile materials (other than cotton), knitted or crocheted	33,431	13.1	20	USA	80.4	CAN	10.0	ZAF	8.0	5004.00 through 5005.00 - silk yarn 5106.10 through 5108.20 - yarn of wool or of fine animal hair 5110.00 - yarn of coarse animal hair 5306.10 through 5308.90 - yarn of flax, of jute or of other vegetable fibres, or of paper yarn 5402.11 through 5403.49 - man-made filament yarn 5404.11 through 5404.19 - synthetic monofilaments 5404.90 - synthetic strip and the like 5405.00 - artificial monofilaments and strip and the like 5509.11 through 5510.90 - yarn of man-made staple fibre 6117.90 - knitted or crocheted parts	43,990	463	361.1	20	CHN	49.8	EUN	19.3	MUS	17.6
261510	Zirconium ores and concentrates	33,243	13.1	3	CHN	87.6	BRA	8.3	EUN	4.1	
611012	Jerseys, pullovers, cardigans, waistcoats and similar articles; knitted or crocheted, of fibres from kashmir (cashmere) goa	32,394	12.7	9	EUN	93.1	USA	3.3	LKA	2.0	5108.10 and 5108.20 - yarn of Kashmir goats 6117.90 - knitted or crocheted parts	10,388	112	85.3	12	CHN	84.3	MUS	7.4	HKG	3.5

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611011	Jerseys, pullovers, cardigans, waistcoats and similar articles; knitted or crocheted, of wool or fine animal hair	21,904	8.6	20	EUN	85.1	USA	10.6	CHN	0.9	5106.10 through 5107.20 - yarn of wool 6117.90 - knitted or crocheted parts	27,832	302	228.4	15	CHN	59.2	MUS	27.1	EUN	11.5
160414	Fish preparations; tunas, skipjack and Atlantic bonito (sarda spp.), prepared or preserved, whole or in pieces (but not min	21,184	84.4	3	EUN	97.9	MAR	2.1	MUS	0.0	0302.31 thr. 0302.36; 0302.39; 0302.89; 0302.91; 0302.99 0303.41 thr. 0303.46; 0303.49; 0303.89; 0303.91; 0303.99 0304.49; 0304.59; 0304.87; 0304.89; 0304.99 0305.20; 0305.39; 0305.49; 0305.59; 0305.69 0305.72; 0305.79	37,275	37,270	1,147.0	4	EUN	84.3	SYC	15.7	ARE	0.0

3) Targeted Questionnaire on cumulation

- MOC of Mauritius has been contacted to carry out a focused questionnaire on the use of cumulation by Mauritian firms developed by UNCTAD.
- Future work in progress in Kenya and South Africa as potential hubs of cumulation using I/O table.
- Upon identification of potential cumulation opportunities, UNCTAD will contact authorities and institutions of Kenya and South Africa run the questionnaire/ identify firms that may be involved in concrete case of cumulation.

Thank you!

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