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Exp/CMAP

Report of the Workshop on the Formation of an African Common market for Agricultural Products

1. Background

1. Agriculture, including fisheries and forestry, continues to dominate the economies of most African countries and is an important vehicle for economic growth. The sector continues to produce the bulk of food consumed in Africa, accounting for about 60 percent of total employment and about 20 percent of total merchandise exports and GDP in many countries. The sector is the main source of raw material for industry, and as much as two-thirds of manufacturing value-added in most African countries is based on agricultural raw materials.

2. Despite the importance of agriculture in their economies, trade in agricultural products amongst African countries remains at a relatively low level. Imports of agricultural products to the continent have been rising faster than exports since the 1970s and Africa as a whole has been a net agricultural importing region since 1980. Agricultural export patterns in Africa are characterized by a small number of traditional commodities and dependency on preferential access to a few developed-country markets. Nevertheless, agriculture will remain, in the foreseeable future, the most important sector for addressing food insecurity and poverty in Africa.

3. These problems and how to overcome them have been at the forefront of the debate on Africa's development since the Lagos Plan of Action in 1963 and the Abuja Treaty of 1991. In 2001, the Assembly of the Heads of State of the former Organization of African Unity (OAU) decided that a possible catalyst to the solution to Africa's food insecurity problem was the creation of an African common market for agricultural products under the auspices of the African Union. In addition, one of the decisions taken during the AU Extra Ordinary Summit on Agriculture and Water held in Sirte, Libya, in February 2004 was for the immediate establishment of "the African Common Market for agricultural products, according to the Lusaka Summit decision".

4. In addressing these decisions, the AU Commission, in collaboration with the FAO commissioned a study on "The Establishment of an African Common Market for Basic Food Products". The objectives of this aimed at:

1. Assessing the state of supply of and demand for agricultural products in Member States of the AU, with special emphasis on strategic food commodities;
2. Analyzing current national barriers to market integration, including those that relate to trade and marketing of agricultural commodities, with special emphasis on strategic commodities, viewed within the perspective of existing RECs;
3. Helping identify the principal policy and legal changes that member countries would have to implement in order to meet the conditions of a regional common market in strategic agricultural products;
4. Suggest fast track approaches to assist governments in assessing and harmonizing their legislative frameworks and legal commitments, as well as bilateral and plurilateral trade Agreements; and
5. Present options for reinforcing and harmonizing trade regimes within the context of existing RECs taking into account the diverse physical, political, social, and economic situations in the different African countries/regions.

The outcomes of this study were therefore presented and debated in this workshop.

2. Participation

6. The meeting was attended by 45 participants from various Member States, Regional Economic Communities, farmer associations, civil society organizations, non-governmental organizations, research organizations, development partner organizations and staff of the AU Commission.

3. Opening Session

7. The opening session was chaired by Mr. Edson Mpyisi. In his welcome remarks, he thanked the participants for having responded positively to the invitation by the AU Commission to participate in this workshop. He recalled that in convening this workshop, the Commission was responding to a call by African Heads of State and Government to develop a study on the Establishment of an African Common Market for Basic Food Commodities. He also thanked the FAO for the technical assistance and collaboration during the course of this study.

8. The opening statement was given by Mr. Mafa Chipeta, the FAO sub-Regional Director for Eastern African and Representative to Ethiopia, AU and ECA. In his statement, Mr. Chipeta commended the AU for “keeping the eye on the ball” in following up the various decisions for the formation of the African Common Market for food products. He also pointed out that the share of African trade in the world had fallen from about 8% at independence to about 3% currently and that this trend needed to be reversed. He further reiterated that raising agricultural production and productivity was crucial for African growth and food security. Mr. Chipeta made three suggestions for African agriculture to move ahead. Africa needed to have: (i) Ambition, (ii) Focus; and (iii) Public support. He ended by wishing the participants fruitful deliberations.

4. Presentations and Discussions

Session 1: Framing the Debate

9. This session was chaired by Mr. Suffyan Koroma. During this session, the following presentations were made:

- Introductory Remarks – the Project and its Objectives
- Key Issues in the Formation of a Common Market
- CAADP and Agricultural Trade
- The link with the Abuja Declaration on Strategic Products, Special & Sensitive Products

10. During the first presentation, Mr. Victor Mosoti gave the background of the project emphasizing the importance of agriculture in African economies and

especially for food security. He recalled the Lusaka and Sirte decisions mandating the in AU Commission to conduct the study on an African Common Market for Food Products and the objectives of this project including the involvement of the FAO. He also outlined the advantages of establishing a Common Market for Agricultural Products.

11. During the second presentation, Mr. Fred Alipui recalled that the desire to have an African Common Market has been there since the formation of the Organization of African Unity and was advanced by the likes of Kwame Nkrumah, Sekou Toure and others. This was followed by other similar initiatives such as the Lagos Plan of Action in 1980, the Abuja Treaty of 1990, and the Lusaka Decision of 2001, the Sirte Declaration of 2004 and the Abuja Food Security Summit of 2006. He pointed out that many studies have done on this subject matter but unfortunately not much action has been taken.

12. He pointed out that two important aspects that are necessary to create a common market are: (i) the countries must be interested; and (ii) there must be a geographical space for this. He went on to further state that for a common market to be successful, it is critical to bring on board all the beneficiaries (suppliers, buyers, famer groups, chambers of commerce, etc.) in the early stages of the formation. He also explained that to reach a common market, one has to pass through the stages of a free trade area and a customs union first and that sometimes it is more practical to begin the process by focusing on a few commodities such as agricultural products.

13. During the third presentation, Mr. Edson Mpyisi discussed the link of the Comprehensive Africa Agriculture Development Programme (CAADP) with this project. He informed the participants that the CAADP is an African framework for agricultural growth, food security and rural development. He further went on to enumerate the various targets of CAADP including the important one of achieving 6% agricultural growth in Africa by 2015. He also discussed the four pillars of CAADP and demonstrated the relevance of this project to pillar 2 which focuses on Improving rural infrastructure and trade-related capacities for market access.

14. During the fourth presentation, Mr. Mamadou Cissokho explained the link of this project to the Abuja Food Security Declaration. He began by stating that the importance of agriculture to African countries is very clear, however he cited the limited support of public support to agriculture in Africa. He commended the Abuja Declaration for being bold and stating clearly that there have been too many declarations in the past with dismal implementation. He pointed out that the Abuja Declaration pointed out the importance of having African leadership in implementation and monitoring of programmes and activities and the use of African resources. The Declaration emphasised the need to focus on small scale farmers who are the back-bone of food security in Africa.

15. In the ensuing discussion, the participants pointed out that raising agricultural production and productivity was critical to achieving the common market and food

security. They also pointed out that it is important for Africans to be effectively engaged in the development of standards. It was also stated that governments could consider financial instruments such as agricultural credit and could be useful in assisting farmers. With respect to selecting strategic agricultural commodities, it was argued that Africa should focus on a few commodities at first rather than spreading too thin over too many commodities. There was an observation that the market for agriculture was changing and that governments needed to develop a conducive environment for profitable farming. It was also debated that the development of commodity value chains could address the issues of agricultural development and food security. It was also noted that the study needed to take into account other ongoing activities such as the Arusha Declaration on Commodities, the task force on Rules of Origin, the reports of the bi-annual meetings of the African Director Generals of Customs and other such initiatives.

Session 2: The Economics of an African Common Market

16. This session was chaired by Dr. O. Ogunkola. In his introductory remarks pointed out the significance of value chain analysis and the relative price of agricultural products and those of other economic activities as factors that influence both the consumers and the suppliers of agricultural food products. He stressed the need for Africa bear in mind the difference between the global price and the domestic price for the strategic good products which will constitute the basis for the Common Market for Agricultural Products (CMAP) that our contries are about to establish.

The following presentations were made:

- An overview of the State of African Agricultural Trade – Mr. S. Koroma
- Challenges and Constraints of intra-African Trade – Mr. B. Omilola
- An African Common Market in the Global Context – Implications of the EPA, AGOA and other Trade Arrangements – Mr. S. Karingi/Mr.Cissokho

17. On the state of African Agriculture Trade Mr. Koroma stated that because of Africa's failure to produce enough domestically, her food imports have grown progressively. Africa is reported to be spending an estimated U.S.\$23 billion during 2002-2005. furthermore he reported that Africa spends about 87 percent of Agricultural imports during the period under review were made up of foods items such as oils and fats, dairy, meat and vegetables. Drawing attention to Table 1 of the Feasibility Study he pointed out the orgin of Africa's food imports, e.g. rice from Asia, US and the EU as well as legumes from EU. He also drew attention to the on-going reforms in Africa's agriculture and the tariff prevailing tariff structures, the list of strategic products and their current applied tariffs which would have to be harmonised during the negotiations for an CMAP. On intra-African trade he reports that the value of intra-African agricultural exports in Africa's total agricultural exports has been rising staedily representing an increase of about 31 per cent. He concluded his presentation by drawing attention to food aid and the commercial imports of agricultural food items and called for domestic production to substitute food aid. During the discussion that ensued participants also drew attention to the need to take into account the volume of informal trade that is characteristic of the region. Some also sought to know the payments system used to support this growing intra-

African trade, the marketing structure and the possibility of a compensation mechanism.

18. Under the presentation on Challenges and Constraints of Intra-Africa Trade, Mr. Omilola gave an overview of the stages of regional integration and the various types of barriers which confront intra-African trade. These include, the conventional customs tariffs, the Non-Tariff Barriers (NTBs) which are also made up of the core NTBs such as quotas, price control measures, voluntary price restrictions etc; the second type, he pointed out which are more difficult to overcome are Non-Core NTBs such as multiple road blocks, demand for bribes by border control and security agents etc. He further outlined the challenges posed to intra-African trade by monetary constraints and revenue loss due to trade liberalisation, the Rules of Origin, Sanitary and Phyto-sanitary measures, inadequate Regional Market Information System. Other constraints he highlighted included the need to add value to mineral products, eliminate the multiple membership of AU member states in various RECs etc. He concluded by recommending that the AU should negotiate a Protocol on Rules of Origin and promote policy coordination among the RECs.

19. During the discussion that ensued interventions were made by a number of country representatives who highlighted the problems of transport and communications and the challenge of lack of implementation of decisions of the AU and hoped that the project to create the CMAP will not be confronted with the same problem. Some participants strongly recommended the need to examine the consumption pattern, incentives for increased productivity and price stability. It was pointed out that African governments should subsidize African farmer in order for them to become competitive as their competitors in Europe, America and Asia are subsidized. Some participants also recommended that the project should address the social barriers to trade and production as well as the gender dimension to agriculture in particular the access to capital and other agricultural inputs. It was also strongly recommended that the project should consult the agricultural traders and that agriculture should be modernized. To that end ad-hoc committees should be established in order to get every member State involved, especially their Customs and Tax officials. Some participants strongly recommended that Africa should try to minimise the cost of doing business in their countries so that intra-African trade could be competitive. They also called for the promotion of African transnational corporations to respond to the business opportunities in the area of intra-African trade in the CMAP.

20. During the presentation on implications of the EPA, AGOA and other Arrangements it was pointed out that the CMAP was to be considered as a project for South-South trade arrangement and therefore key issues to address should cover tariffs, infrastructural constraints and supply constraints, low productivity, low investment. The presenter stated that there is global consensus on Agriculture as a critical for Africa's development paradigm and suggested the use of international rules to protect some of Africa's products, especially as the concept of Special Products have been accepted in WTO negotiations; he then made a strong case for the CMAP as regional integration tool which is a tool for poverty reduction.

21. On state of the EPA negotiations and their implication for the CMAP, he sketched out the various scenarios that have emerged during the concluding

moments which have resulted in individual countries signing up the interim EPAs while some limited number of countries decided to sign – pulling out of the main negotiating groups etc. He expressed concern about the challenge posed by sequencing. He pointed out that the optimal sequencing would have been for African RECs and the CMAP to remove internal barriers before EPA and for African RECs to coordinate their processes of opening up prior to negotiating the EPA. But this was not the case and the outcome of the EPA negotiations further complicates the environment in which the CMAP will emerge, especially as eventually AU countries may have to sign the Comprehensive EPAs. Hence it was obvious that intra-African trade will be diverted as there will be competition from the EU to Africa's farmers and trader especially in legumes, dairy products. He also recognised that Africa will not be in a position to exploit economies of scale and accordingly called for African multinational to be promoted to fill the gap within the African geographical space especially in the area of agro-processing. It was also pointed out that the fact that the CMAP is intended to cover north African countries as well as those in Africa, south of the Sahara would also pose a problem as those most of those countries have signed up the EURO-MED Agreement which is an FTA with Europe, especially Tunisia. The presenter recommended that the transitional periods of the EUROMED and the future Comprehensive EPA should be used or carefully negotiated to facilitate proper sequencing of the tariff negotiation process of the CMAP. In conclusion he strongly recommended that Aid for Trade Facility to be created should be sourced to support the CMAP when it becomes operational. A case should be made for the CMAP as a tool to assist small farmers or priority under Aid for Trade which falls under MDG1.

22. In his intervention on the EPA, Mr. Cissoko recalled the historical background to the EPA negotiations process which started with the launching of the Green Book by the European Union and the various impact studies carried out. He regretted the fact even such studies and workshops for the benefit of African countries had to be funded by the EU. He underscored the importance of Agriculture in the EPA negotiations but regretted the fact that the EU Common Agriculture Policy (CAP) was not open for negotiations till 2013. He noted that Nigeria has just suspended its participation in the negotiations for the CET of ECOWAS while Ghana and Cote d'Ivoire has signed the interim EPA Agreement because of the possible revenue loss. He stressed that the solution to the challenge posed by the EPA with the African countries themselves at the level of the RECs. In his view the problem is due to the poor leadership on the African continent.

23. On AGOA it was noted that it did not pose much challenge because it does not demand reciprocity and with the WTO there is need to continue to take fully into account the market access pillar in the negotiations which has to do mainly with Agriculture.

24. During the discussion that ensued participant reflected on how African countries would regain the control of their regional agricultural market which they believed clearly is a political issue. The meeting also called for enhance capacity of the RECs and African institutions to anticipate, evaluate and undertake follow-up activities. It was also suggested that African countries should depart from conventional approaches, take on board the value chain approach and above all we should be innovative in the agricultural sector. Other proposals were the need to

address duality in African economies, Trade Insurance and compensation mechanism.

Session 3 – Key Issues Addressed and Recommendations

25. The following points were discussed and agreed upon.

Trade liberalization and free movement of people

26. Clarification were provided on the goals of this trust which is to achieve a FTA in the short term while aiming for the achieving of the common market as pursued under the Abuja Treaty.

27. The participants underscored the inconsistency in pushing for a liberalization agenda which aims for a free movement of strategic food products without ensuring also a free movement of people, especially farmers; the need to take bold steps on trade liberalization measures including the free movement of people.

28. The workshop informed the participants of the ongoing minimum integration programme the AU is embarking upon to address the existing bottlenecks on production sides covering a single market programme, putting institutional and legal frameworks with mutual recognition of rights and dispute settlements bodies and mechanisms where they exist, transforming national policies into regional ones.

Roles of states and RECs, and the mandate to negotiate

29. Clarification were provided on whether countries can individually or collectively negotiate the terms of trade with third parties along with the benefits of each negotiating track option..

Revenue loss from trade liberalization

30. Participants re-iterated the need to have a mechanism which encourage member states to reduce the low levels of compliance with legal provisions of the RECs, essentially due to capacity limitation and ambiguous or flexible provisions.

Roadmapping and scoping the common market process

31. A roadmap should be put in place with a time frame for tariff elimination along with sector-specific arrangements agreed upon and a plan of action. A common customs nomenclature has to be adopted to clearly scoped the common market arrangements with the strategic products defined and the related common list of products identified.

Compliance with WTO rules

32. The participants discussed the principle of MFN and underscored the need to ensure compatibility of the African common market rules with the WTO framework including non-discriminatory arrangements but with due consideration being given to clearly established community preferential treatment.

33. The elimination of the quantitative restrictions were widely considered recognizing its non transparency and the need for more discipline.

Rule of Origin (RoO), trade remedies and application of safeguard measures

34. There is need to have a common approach in setting RoO in an economically effective manner and setting appropriately the scope of preferential treatment under the various ongoing FTA experiences. The participants also discussed the need to set appropriate rules taking into consideration a wide range of issues (national treatment, domestic raw materials content, local value addition, management, ownership of capital, cumulative RoO) including the economic implications for their possible applicability.

35. The participants were informed of a wide range of RoO related initiatives - work done or ongoing - to help make informed decisions on future RoO related issues.

36. The discussions underscored the need to establish appropriate trade remedies and safeguard measures while recognizing the danger of perpetuating certain temporary measures such as trade remedies, safeguards, the setting up of unnecessary stringent SPS related measures with no scientific basis.

37. The Meeting recommended that all information and resources now available be disseminated wherever needed.

Technical barriers to trade and SPS measures

38. There is need to feed in the current vacuum which has aroused from the lack of an Africa TBT related protocol as envisioned under Art 67 of the Abuja Treaty which calls for the setting of an African Standardization and Harmonization institution while recognizing the urgent need to harmonize the various existing, differing and arbitrary SPS measures.

39. These measures should also be tailored made, especially in agriculture taking into account the multifunctionality of African agriculture.

Targeted subsidies

40. The participants called for flexibility on the subsidies related issues taking considering that no restrictions prevent Africa to subsidize its Agriculture in the emerging global trading system and to draw from all the flexibilities as well as potential benefits it can derive from its possible participation to various trading regimes.

41. The participants called the member states to take responsibilities wherever needed, especially in providing subsidies to farmers while recognizing the resource and investment related constraints faced at various levels and the need for discipline in managing these matters.

Training

42. TBT including standards should be understood with capacities to implement them scale up wherever needed. The participants recommended FAO to provide continued technical assistance in this areas including information on existing standards.

Studies

43. The participants were briefed about the highlights of the study and its synthesis report which are informed by economic as well as legal analyses while recognizing the limitations that rest with such kinds of exercises and underscoring the need for further studies to ensure the making of informed decisions in eight areas of high relevance to the drafting of an effective protocol to increase intra regional agricultural trade. These include namely tariff reduction, product nomenclature.

Thematic themes to inform the drafting of a common market protocol

44. The participants reviewed and discussed 8 thematic areas with a view of further enlightening more on the vision the protocol document should embody including guidance on the underlying issues the documents should address namely 1) the possible scope of the trade liberalization scheme (list of products, timeframe of the liberalization scheme (tariff numbers, level and speed of tariff reductions) and end results (FTA, Customs unions, Common market); goals and approaches to liberalization; 2) quantitative restrictions; 3) treatment of participating countries; 4) trade facilitation; 5) trade remedies; 6) safeguard measures; 7) SPS/TBT measures and 8) Rules of origin.

45. The participants recommend flexibility and consistency to enable i) the list of common products to grow; ii) to have other stakeholders including the RECs and countries to respond; iii) to build on firm legal basis drawing from experiences (Arusha Declaration) including existing legal frameworks (Abuja Treaty) while taking into account the specificities of Agriculture.

46. The draft protocol should refer to and be grounded on results of the Arusha Declaration.

47. There is also need to agree on a common list of strategic food products and promote these in domestic markets paying attention to the value chain approach. Rice and maize should strongly be considered for initiating such approach at the continental level.

48. The participants recommend Africa remains focused in raising first its production capacity while recognizing the need to diversify. Africa should seek to do more business with themselves building on the complementarity and existing comparative advantages among RECs while strengthening them in ways to protect effectively their respective markets.

49. The creation of basic commodities exchanges should be strongly considered in line with the Arusha Declaration on Commodities.

Participation, communication with concerned stakeholders and renewed public support to agriculture

50. Participants re-iterated the need for participation and active communication at various levels of the common market process to mobilize the concerned stakeholders (RECs, member states) including the resource needed for this thrust starting with the identification of interested countries, possible geographic spaces, a short product lists to initiate and champion the implementation of the common market trust.

Political will and capacity building

51. Participants re-iterated the need for increased political will and capacity building at various levels:

52. Regional Economic Organisations: Several participants pointed out the weakness of REO's in supporting member countries in regional integration related activities. In fact, even the role that the REO's are supposed to play is not always clear. There is thus a need to strengthen the capacity of REOs to enable them clarify their role, and to put together programmes which will allow them to more effectively support member countries in the implementation of the common market. In this regard, REOs are currently most concerned with providing more effective support in the context of the ongoing WTO and EU-ACP EPAs negotiations, as well as in the implementation of NEPAD than fostering intra regional trade consultations and negotiations.

53. Country Level: Participants also stressed the need for more communication on establishing a common market as well as ensuring training and capacity building at the national level. Numerous discussants expressed the lack of capacity by countries to negotiate effectively in intra regional trade related issues.

54. Areas identified for additional training included:

- increasing the understanding of technical issues, some of which were presented in the Workshop, including SPS, TBTs, and other not-tariff barriers to intrs trade;
- enhancing the ability to assess the implication of alternative tariff reduction schemes and related compensatory arrangements;
- increased ability to assess implications of various trade negotiating positions for domestic policy, productive sectors, domestic welfare, etc...

55. Related to the need for increased sensitization on the common markets issues and related supporting capacity was the need to have briefing as well as longer and more sustainable training opportunities at the REC and country levels which would complement workshops, such as the one being attended.

56. Discussions highlighted the need to sensitize all concerned stakeholders including universities and training institutions so that they could focus more attention

on the training of professionals with competencies in intra regional trade issues including negotiations (notably specialists from the fields of agriculture, economics, and law).