



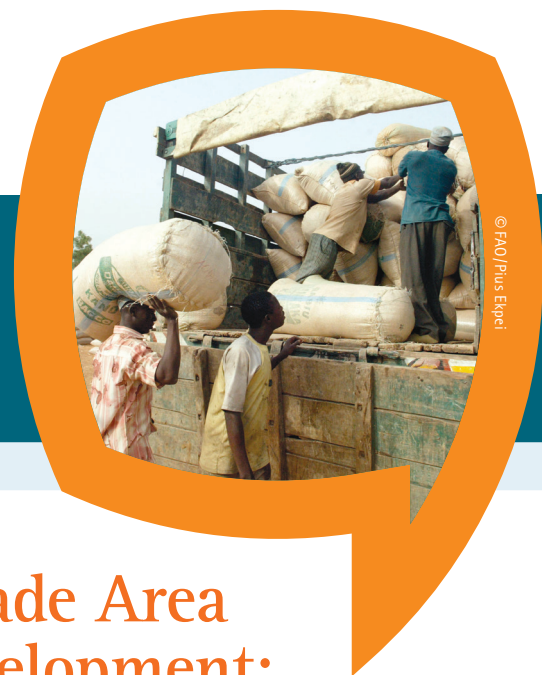
Food and Agriculture
Organization of the
United Nations

FSN Forum in Africa

Part of the
Global Forum on Food Security and Nutrition

Summary of the
online discussion
No. 15

from 05.05.2020
to 02.06.2020



The African Continental Free Trade Area Agreement and agricultural development: challenges and prospects

About this online discussion

This document summarizes the online discussion *The African Continental Free Trade Area Agreement and agricultural development: challenges and prospects* held on the FAO Global Forum on Food Security and Nutrition in Africa (FSN Forum Africa) from 5 May to 2 June 2020. The discussion was facilitated by Jean Senahoun from FAO's Regional Office for Africa in Accra, Ghana.

This online discussion aimed to exchange ideas on the challenges to and prospects for the implementation of the African Continental Free Trade Area (AfCFTA) Agreement in Africa's agricultural sector and its implications for food security and nutrition. Participants shared ideas on the Trade Area's potential impacts in general, and more specifically on food security and agricultural development. In addition, the issue of informal cross-border trade and how this could be addressed in the context of the AfCFTA was addressed. Last, the discussion elicited comments stressing the need to make AfCFTA-related policymaking processes more participatory.

Over the four weeks of discussion, participants from 17 countries shared 25 contributions. The topic introduction and the discussion questions proposed, as well as the contributions received, are available on the discussion page: www.fao.org/fsnforum/activities/discussions/AfCFTA

1. Potential AfCFTA implementation challenges in general

Some participants discussed the AfCFTA's potential impact in general, often pointing to challenges that could emerge during the implementation process. They believe that the Trade Area could help Africa realize its agricultural and economic potential (Souré Alpha Ousmane, Emile Hounbo) and promote inclusive growth and sustainable development by enhancing spaces for trade in agricultural produce and foodstuffs. At the same time, however, other participants stressed that an effective implementation of the AfCFTA may

be difficult, as continental and regional arrangements often do not work in Africa due to contradictory national decisions and practices and a general lack of integration of African states (Emile Hounbo). Therefore, it is crucial to learn from the experiences of Regional Economic Communities and other similar organizations, such as the Economic Community of West African States (Emile Hounbo, Puff Ray Mukwaya), the Southern African Development Community and the East African Community (Puff Ray Mukwaya, Titus Msagati).

Furthermore, the AfCFTA should be supported by initiatives that help raise countries' interest in its creation (Emile Hounngbo).

Other participants also highlighted potential challenges to a successful implementation of the AfCFTA. Some pointed to the fact that the literature contains many examples of African governments frequently interfering in free trade; in particular, they tend to ban exports of basic foods at the earliest sign of a possible domestic shortage. This would undermine confidence in inter-African sourcing (Mafa Chipeta). Other comments pointed to the absence of data on agriculture due to a lack of data collection mechanisms and collaboration among AfCFTA signatory states. Participants wondered how monitoring of transborder movements of agricultural produce could be improved, and how data on this could be collected, made available and used (John Ede). The fact that a substantial part of cross-border trade is informal and, therefore, not recorded, makes it difficult to generate accurate estimates (Dick Tinsley).

Last, participants addressed the question of whether free trade agreements in general could produce the desired results in practice. One participant wondered to what extent free trade is really "free", pointing out that free trade agreements often imply various societal, economic and environmental costs. Therefore, before taking decisions on these agreements, countries should have a clear idea of the benefits and costs involved (Dugasa Dirbaba). Another participant stressed that many trade liberalization agreements have eventually been abandoned due to market deficiencies. In fact, markets are often unable to perform their true function – adjusting supply to demand – and the costs of correcting for these market deficiencies are often far higher than the benefits from trade. As this issue also applies to trading in food products, which have an inelastic demand, free trade agreements are not necessarily recommendable for countries with an economy that is mainly dependent on agricultural production (Jean-Marc Boussard).

2. AfCFTA impact on food security and agricultural development

One participant pointed out that the impact of the AfCFTA would largely depend on existing national and local policies and practices. Specifically, a good understanding of the causes of national food insecurity and already established operational strategies for food security and agricultural development would help governments to adequately position themselves in policymaking processes in the context of the AfCFTA. This would, in turn, improve the chance that such countries indeed benefit from the Trade Area (Eileen Omosa).

Some participants pointed to the potential positive effects of the AfCFTA on food security, arguing that the Trade Area could help facilitate access to a larger supply of cheaper, higher-quality food products (David Michael). However, they also stressed the need to ensure that national food production first satisfies the domestic market before countries engage

in export. Here the example of Senegal was mentioned, a country rich in fishery resources but where international trade has led to scarcity of fish in the domestic market. In this specific country context, the AfCFTA should help avoid unfavourable fishing agreements and instead ensure enough domestic supply of fish to promote protein-rich diets for the country's population (Jacques Diouf). In general, in the context of the AfCFTA, a continental policy would need to be put in place with defined thresholds to determine when countries are sufficiently food secure to export their surplus produce to other African countries (Mary Mwema, Eileen Omosa). Likewise, another contributor also referred to the need for the AfCFTA to ensure countries have a certain minimum level of food supply, especially in situations in which this supply may be interrupted, such as during periods of drought (David Michael). In fact, a common free market will hardly ensure a fair distribution of food on its own (Thomas Hinkelmann).

Another issue of market supply and demand relates to the fact that most African countries have been experiencing agricultural deficits for several decades, while increased trade presupposes surpluses that can then be traded. Furthermore, food preferences, partially driven by food aid and preferential trade deals, are increasingly shifting towards commodities such as wheat, for which Africa will never be a globally competitive producer. According to participants, a strategy for governments to facilitate participation in increased trade opportunities could be to provide targeted support to the cultivation of a few key commodities (Mafa Chipeta). Another contributor stressed that the AfCFTA may help revitalize Africa's agricultural production in terms of productivity and



© FAO/Amine Landoulsi



food safety. Furthermore, in order to respond to diverse food preferences, entrepreneurship in value-added activities could be encouraged ([Mary Mwema](#)). Digital platforms with real-time data on food demand and supply are an important tool for facilitating international trade; these are particularly helpful given the different weather and climatic conditions across the continent as well as seasonality of food products ([Victor Iwuoha](#)).

Participants also discussed the possible impact of the AfCFTA in relation to current North-South trade relations. Some stressed that while increased intra-African collaboration requires extensive and complex reforms in order to realize its full potential, the long-term gains of job creation and enhanced availability of cheaper raw materials and diverse foods would be substantial. These would by far exceed the short-term benefits from traditional trade with Africa's former colonizers in which African countries have been trapped for years ([Ernest Molua](#)). At the same time, however, contributors stressed that the AfCFTA does not necessarily prevent infiltration of non-African corporations in African food systems, with participants specifically wondering whether "rules of origin" would be sufficient in this regard ([African Centre for Biodiversity](#)). The Trade Area has been actively supported by the European Union, where it is seen as a great opportunity for the European export market. Over

the past decade, some African countries have imposed import restrictions or high tariffs on European Union products due to the negative effects of these subsidized agricultural exports on African farmers. However, in recent years the European Union has concluded bilateral trade agreements with a few strategically important countries, in which those countries commit to abolish tariffs on European Union industrial products and to maintain low tariffs on agricultural products – thus facilitating unrestricted export of these products. One could argue that "rules of origin" would address this issue, but the African Union member states have not yet agreed on them. How these rules of origin will be defined needs to be carefully negotiated to avoid them being exploited by non-African entities to gain access to the market ([Lizzy](#)). Participants stressed that if the European Union really wants to respect African interests and help promote sustainable agriculture, bilateral trade agreements between the European Union and African countries should be frozen, and African countries should be offered free access to the European market for agricultural products ([Brot für die Welt](#)).

Participants noted that removing trade barriers could pave the way for powerful African agrifood corporations to displace small-scale food producers and traders, leaving them to lose their livelihoods ([African Centre of Biodiversity](#), [Brot für die Welt](#), [Victor Iwuoha](#), [Jessie Rivera Fagan](#)).

In fact, smallholder producers experience significantly more difficulties in accessing export markets than medium- and large-scale producers (Dick Tinsley, Jessie Rivera Fagan): many of them cannot produce the surplus needed for export, the quality of their produce tends to be lower than that of larger farms (Dick Tinsley), and the costs of meeting international quality standards are disproportionately high for them (Dick Tinsley, David Michael). Therefore, it is crucial to support farmers and other small-scale actors to ensure that they can benefit from increased trade opportunities (Jessie Rivera Fagan). In this regard, well-run farmers' and traders' associations are of crucial importance for improving these actors' bargaining position and enhancing their voice in decision-making (Eileen Omosa). Furthermore, a partnership programme could help build capacities of micro-, small- and medium-scale enterprises and facilitate partnerships with larger players, while simultaneously focusing on the promotion of productivity improvements and increased use of innovative solutions (David Michael).

Participants stressed that a prioritization of regional over global value chains may be an improvement, but does not automatically address issues of social equity and ecological sustainability. In this regard, the question of which definition of agricultural development is being applied in the context of the AfCFTA is of crucial importance. The aim here seems to be the standardization and, therefore, industrialization of food systems, as well as building African corporate power – despite the fact that experience has shown that this type of system increases inequality. Instead, the AfCFTA should be seen as an opportunity to promote people- and nature-centred food systems based on food sovereignty. Moreover, trade liberalization should be regulated in line with social and economic objectives and accompanied by state development policies that subordinate trade to democratically derived development agendas. Participants argued that regional integration should also be about promoting knowledge

Sensitive and excluded products, food commodities and food security

In the context of the AfCFTA, countries have committed to liberalizing almost all trade by eliminating tariffs on 90 percent of their goods. The remaining 10 percent is divided between sensitive and excluded products on which no reduction in tariffs would be proposed – however, the list of these products is not available yet. Some contributors pointed out that ideally, this list should be limited to a very small number of staple food products (David Michael). However, governments may be tempted to classify key commodities as "sensitive" or protect them in other ways, which would hamper trade in high-volume commodities (Mafa Chipeta). According to participants, placing key food commodities on the list of sensitive or excluded products could have different implications for food security. On the one hand, food security could be negatively impacted, as the cost of trading in these goods would be higher and hence, economies of scale lower (Mary Mwema). On the other hand, as trade barriers have always existed, including key food commodities on the list would not necessarily affect food security. One participant suggested that each country could maintain a 7 percent tariff for food it produces in adequate quantities, while commodities not produced in the importing country could qualify for tariff exemption (Victor Iwuoha).

flows between farmers, food traders and distributors, and about supporting local food systems. In more general terms, a democratization of the integration process is critical in order to prevent powerful actors from exercising undue influence, and negotiations and planning processes should be completely opened up to civil society participation (African Centre for Biodiversity).

3. Addressing informal cross-border trade in the context of the AfCFTA

One participant stressed that it is first crucial to understand how terms such as "cross-border trade" and "formal" versus "informal" trade have been defined in different African countries, and how these issues have been addressed in policy. National and international trade policies will need to define cross-border trade at different levels – considering, *inter alia*, food items transported via head-load, lorry and train – in order to adequately address informal trade (Eileen Omosa). In fact, what may prevent the inclusive formalization of agricultural trade in Africa is the lack of a continental policy governing issues on informal trade (Mary Mwema).

Participants pointed out that informal cross-border trade poses substantial challenges for traders and local businesses and can lead to unfair competition with the local food supply (Mary Mwema), but also that it reflects the relatively high cost of doing business through formal channels (David Michael, Victor Iwuoha). Therefore, the solution would lie in reducing these costs in all AfCFTA member countries (David Michael). More specific recommendations for incentivizing and promoting formal cross-border trade included establishing integrated digital trade platforms – which can be especially useful for perishable agricultural

commodities (Puff Ray Mukwaya) – and putting in place traceability systems using geotagging to track agricultural commodities (Mary Mwema).

Other contributors perceived the establishment of adequate spaces for interaction as a key requirement for facilitating trade, and provided detailed recommendations. First, spaces for political interaction should be created. Political rhetoric regarding border closures and recurrent criticism against buyers or sellers from neighbouring countries is often seen as an obstacle to building trade relationships (Thierry Lassalle, Mary Mwema). Setting up joint consultation frameworks – such as the Niger-Nigeria Joint Commission – and establishing relationships between neighbouring regional chambers of commerce offers a framework for mutual understanding, which can help improve the functioning of cross-border markets. Second, physical spaces that facilitate trade in agricultural products should be promoted in the form of trade corridors and markets. Subregional commercial platforms and semi-wholesale markets provide a hub of

interaction and integration between two types of economies that are usually impermeable to each other: they make it possible to concentrate the scattered production of a large number of family producers and allow wholesale buyers to obtain supplies from large carriers within economically profitable timescales. Concrete examples are seen in the semi-wholesale markets along the Niger-Nigeria border (in the Tahoua, Maradi, Zinder and Diffa regions), which were established by the Government of Niger with co-financing from, *inter alia*, IFAD, the French Development Agency (AFD) and the World Bank. These markets have shown that appropriate infrastructure can help increase the flow of goods.

Further, in the United Republic of Tanzania, the Kibaigwa maize and Mbarali rice semi-wholesale markets, co-managed by the farmers' movement MVIWATA (and initially supported by AFD and European Union co-financing) have linked agricultural production between family farming and large consumption centres (Thierry Lasalle).



© FAO/Plus Ekpe

RESOURCES SHARED BY PARTICIPANTS

FAO. 2007. *Agricultural trade policy and food security in the Caribbean: structural issues, multilateral negotiations and competitiveness* [online]. Rome. [Cited 30 June 2020]. www.fao.org/3/a1146e/a1146e00.htm

Houngo, E.N. 2020. *L'intégration des échanges pour la sécurité alimentaire et nutritionnelle dans l'espace CEDEAO: Mythe ou réalité?* [online]. Porto-Novo, Université Nationale d'Agriculture. [Cited 30 June 2020]. http://assets.fsnforum.fao.org.s3-eu-west-1.amazonaws.com/public/discussions/contributions/Article%20R%C3%A9flexion%20Int%C3%A9gration%20des%20%C3%A9changes%20dans%20l'espace%20CEDEAO_OK.pdf

Mwema, M. 2020. The African Continental Free Trade Area. In: *You Dig?* [online]. [Cited 30 June 2020]. <https://marymwema.wordpress.com/2020/05/30/the-african-continental-free-trade-area>

Nkana, G. 2014. *MVIWATA na MASOKO kwa Wakulima Tanzania* [video]. [Cited 30 June 2019]. www.youtube.com/watch?v=Pangd9vmaZY

Global Forum on Food Security and Nutrition ► FSN Forum

Agrifood Economics – Economic and Social Development
www.fao.org/fsnforum ► fsn-moderator@fao.org

Food and Agriculture Organization of the United Nations
Viale delle Terme di Caracalla - 00153 Rome, Italy



Some rights reserved. This work is available under a CC BY-NC-SA 3.0 IGO licence