The folly of the Africa's Continental Free Trade Area (CFTA)

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Outlook

The roadmap of the Continental Free Trade Area (CFTA) was adopted by the African Union (AU) in 2012 and the decision to launch the negotiations in June 2015 at the 25th AU Summit, with the aim of implementing it by the end of 2017. TRALAC has issued the many official documents related to the CFTA negotiations[1] and, finally, the African Ministers of Trade have agreed on 16th June 2017 in Niamey to liberalize 90% of tariff lines with flexibility accorded in the remaining 10% for sensitive and excluded products[2].

I – The totally unrealistic goals of the CFTA and CCU

The CFTA goal of the AU is an unrealistic folly, in its contents and timing, but supported by UNCTAD and the United Nations Economic Commission for Africa (UNECA). While the Regional Economic Communities (RECs)[3] of sub-Saharan Africa (SSA) are very far from having implemented their legislation on the free movement of goods and people and their common external tariffs, enlarging immediately those objectives to the whole continent can only lead to disaster. Thus the Secretary-General of UNCTAD, Mukisha Kituyi, said on Sept. 29, 2016 at the WTO Public Forum, "*I have been privileged to meet with 16 African presidents to discuss the CFTA and rejoice that many political leaders believe in the future and the need for African integration*"[4]. For the two main UNECA experts having promoted the CFTA – Lily Sommer and David Luke – "*Indicative CFTA agreement finalisation*

[1] https://www.tralac.org/resources/by-region/cfta.html

[2] https://www.tralac.org/news/article/11761-cfta-modalities-on-goods-and-services-adopted-in-niamey.html

[3] The AU recognizes 8 RECs (http://www.un.org/en/africa/osaa/peace/recs.shtml): ECOWAS (Economic Community of West African States, comprising 15 States), CEMAC (Economic Community of Central African States, comprising 6 States), EAC (East African Economic Community, comprising 5 States), SADC (Southern African Development Community, comprising 15 States), COMESA (Common Market for Eastern and Southern Africa, comprising 19 States), UMA (Union of the Arab Maghreb, comprising 5 States), IGAD (Intergovernmental Authority for Development, comprising 8 States of East Africa and the Horn of Africa) and the Community of Sahelo-Saharan States, comprising 28 States. The geopolitical configuration of the regional EPAs differs from the RECs: the West African (WA) EPA includes ECOWAS plus Mauritania; the Central Africa EPA includes CEMAC plus the Democratic Republic of Congo (DRC) and Sao Tome and Principe; the SADC EPA comprises only 6 States; the Eastern and Southern Africa (ESA) EPA comprises only four COMESA countries: Seychelles, Mauritius, Madagascar and Zimbabwe. The UMA comprises 5 countries (Algeria, Libya, Morocco, Mauritania, Tunisia) but is not concerned by a regional EPA (except Mauritania in the WA EPA). Similarly, IGAD and the Community of Sahelo-Saharan States are not affected by EPAs. Finally, several States belong to different RECs.

[4] https://www.wto.org/audio/pf16_session72.mp3

deadline of 2017 is ambitious… However, timely implementation of the CFTA is crucial, particularly in the context of MRTAs and shifts towards reciprocity"[5].

Fascinated by the mega-regional trade agreements (MRTAs) like TTIP, TTP and CETA[6], the AU flexes its muscles by claiming to do better among its 55 Member States[7]. Ms. Fatima Haram Acyl, AU Commissioner for Trade and Industry, stated at the opening of the First CFTA Negotiating Forum Meeting on 22 February 2016: "*The emergence of Mega Regional Trade Agreements continue to threaten Africa's market access in established markets - severely diminishing the value of preferences such as AGOA and EBAs, and it appears that this trend will continue to accelerate. What does this mean? It means that Africa's destiny is once again in its own hands. While we may not be able to control what happens at the WTO or in the MRTAs, what we make of the CFTA is entirely in our hands*"[8]. This is illusory and contrary to the lessons of history which shows that all the developed countries of today have reached their competitive position through a high import protection on agriculture and infant industries and, on top of that, they have benefited (and are still benefiting) from huge subsidies, not to speak of the exploitation of their Southern colonial countries, particularly in Africa, for centuries. As Mamadou Cissokho stated in the WTO Public Forum in September 2014: "*All countries which have developed begun by creating the conditions to do it through import protection and it is only afterwards that they have open their markets to other countries. One cannot ask today to Africa to be the first example showing that it is by first opening its markets that it will develop".*

The baseline to which the CFTA impact is compared being the situation without any change in trade reforms, the UNECA assessment of June 2012 claims a huge rise in intra-African trade: "*It would add up to USD 34.6 billion (52.3 per cent) to the baseline in 2022. Imports of African countries from the rest of the world would come down by USD 10.2 billion, well compensated by the significant projected increase in intra-African trade… While the share of intra-African trade would increase from 10.2% in 2010 to 15.5% in 2022 after the establishment of a CFTA, it would more than double over the twelve years period (increasing from 10.2% in 2010 to 21.9% in 2022) when trade facilitation measures are considered. Similarly, real income for Africa improves by nearly 1 per cent whatever the trade policy considered*"[9].

The MIRAGE econometric model used has huge limitations as it is based on data available for only 16 of the 55 African States, the other States being aggregated – in West Africa only Nigeria and Senegal are considered, the other 14 States being aggregated –, and with tariffs of 2004, which have changed significantly since then, particularly on agricultural products in ECOWAS. Among the other usual unrealistic assumptions of such models: total trade liberalization over five years (2017-22), including of sensitive agricultural products, full employment of production factors, including labour, one single consumer and one single producer per country-region. Although not included in the model, the CFTA assumes the

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[5] http://www.ictsd.org/sites/default/files/research/trade_and_poverty-final.pdf

[6] TTIP, TPP, CETA: transatlantic, transpacific and Canada-EU Free trade agreements.

[7] Africa has 55 States since January 2015 when Morocco was reintegrated after it left the AU 32 years ago when the AU recognized the Saharawi Republic. Morocco sent a letter to the AU on 17 July 2016 on its desire to join again the AU, not hiding its intention, once admitted again in the AU, to convince most AU Member States to withdraw their recognition of the Saharawi Republic. UNECA assessment of the CFTA takes into account Morocco and the Saharawi Republic is not formally withdrawn.

[8] http://www.au.int/en/speeches/opening-statement-he-fatima-haram-acyl-african-union-commissioner-trade-and-industry

[9] http://www.uneca.org/sites/default/files/PublicationFiles/aria5_print_uneca_fin_20_july_1.pdf

liberalization of trade in services, of non-trade barriers (NTBs) and the simplification of rules of origin (ROO).

Admittedly a free trade agreement is not a customs union in the sense that Member States abolish only tariffs between them, while maintaining their own tariffs on third countries, but this would already be impossible. Far from promoting regional integration of the continent it will disintegrate it strongly in opening wide the doors to multinationals already well implemented in most African countries and which would concentrate their activities in the most competitive countries from which they would export to the others.

The more so as UNECA is proposing, beyond the CFTA, to implement the Abuja Treaty of 1991 mandating the establishment of a Continental Customs Union (CCU) by 2019: "*A functioning CCU will also require border checks between members of the union to be abolished and the alignment of all bilateral agreements and free trade agreements with the CET. This will be challenging but not impossible to achieve… The CCU would reduce the average protection imposed by African countries on imports from outside Africa. This increases African imports from the rest of the world by between 2.7 percent (US$16.2 billion) and 3.5 percent (US$21.6 billion) by 2022, as compared to a scenario where only the CFTA is in place… Both intra- and extra-African exports also increase (between US$45.8 billion and US$52.9 billion) as a result of the CCU as African economies become more competitive on the world market due to lower production costs brought about by lower import costs*".

The expected benefits from the CFTA and CCU are so large that UNECA does not even bother to deal with the huge fall in tariff revenues in its comprehensive report of June 2012. Even if it acknowledges that "*The distribution of income gains is not expected to be equitable among countries… Nevertheless, if the CFTA is complemented by trade facilitation measures, all African countries would actually benefit positively from the establishment of a CFTA, in terms of both trade and real income*". However in a subsequent paper of 30 October 2012 Simon Mevel and Stephen Karingi of UNECA admitted: "*Turning to the country analysis of the results, these are somewhat more ambiguous than at the global level… Even if real income variations are limited, almost half of African countries/regions considered in the study would be worst off in terms of real income after the formation of free trade areas. Three main justifications can be advanced. Firstly, while African countries liberalize, governments have to renounce to a non-negligible source of income namely, tariff revenues. Secondly, as African economies open up, competition is increasing on the continental market. As a results trade flows are reoriented such as African imports from partners located either on the continent or outside of the continent are being replaced by imports from African partners benefiting from better market access, thanks to tariff cuts, and potentially leading to terms of trade reductions. Thirdly, as world prices of food products slightly increase with the liberalization reforms, net-food importing countries such as Angola & DRC, Mozambique, Botswana, Rest of North Africa, Nigeria and Central Africa are hurt and their real income reduced… Workers employed in countries strongly specialized in exports of primary products, such as oil exporting countries: Angola, Egypt, Nigeria, Rest of Eastern Africa (inclusive of Kenya), Rest of North Africa; as well as Zambia (69% of Zambia's exports are mineral and metal products) register a decrease in real wages*"[10]. Despite these acknowledgments, the

10 http://www.afdb.org/fileadmin/uploads/afdb/Documents/Knowledge/Deepening%20Regional%20Integration%20in%20Africa%20A%20Computable%20General%20Equilibrium%20Assessment%20of%20the%20Establishm

authors conclude by saying: "*Deepened regional integration in Africa through establishment of wider Free Trade Areas would benefit to the continent. Such reforms would increase exports, real income as well as real wages for all categories of workers for Africa as a whole*".

All this helps to understand why the developed countries and the neo-liberal institutions they control are very enthusiastic to finance the CFTA process – which would open up the African markets to their exports –, as acknowledged by Ms. Fatima Haram Acyl who stated: "*Let me take this opportunity to express my appreciation for the various partners that have been working with us in this regard, UNCTAD, TRALAC, UNECA, WTO and DFID through Trade Advocacy Fund. In the same vein let me also express my appreciation for the assistance that the Commission has received and continues to receive from various partners including the EU, GIZ, USAID, DFID, Sweden*"[11]. And we should not forget the World Bank: "*Needless to say, the World Bank Group is ready to support effective implementation of regional agreements, the Tripartite Agreement and the Continental Free Trade Area - working in partnership with regional secretariats, the African Development Bank, the African Union, the United Nations Economic Commission for Africa, among others*"[12].

With these ideas in mind, inculcated by the African Union, UNCTAD and UNECA, we understand why most Heads of State of sub-Saharan Africa have opposed so little resistance to the EPAs, which, paradoxically, could even appear as a lesser evil than the CFTA and CCU!

This madness is topical for ECOWAS after the debate of 13 October 2016, at the INTA Committee of the European Parliament on the ratification of Ghana's interim EPA in the presence of the Foreign Minister of Ghana, Ms. Hannah Tetteh. Indeed it is the Minister of Trade and Industry of Ghana, Ekwow Sio-Garbrah, who hosted an ECOWAS meeting from 9 to 11 March 2016 in Accra to find a common position of Member States on the CFTA. The Minister said that "*The successful implementation of the CFTA would depend on how well it meets the needs of the private sector. It is generally expected that the rules that African countries enact for the conduct of trade such as the CFTA are meant to be exploited by the private sector. Private sector engagement and sensitization on the CFTA is therefore critical at all levels*"[13]. The "private sector" quoted by the Minister does not designate the hundreds of millions of African smallholder farmers – who could produce much more with guaranteed stable remunerative prices through an efficient import protection – but the tens of multinationals and African private companies that are pushing to abolish tariffs between African countries. But the Ghana's Minister went further than fostering intra-Africa trade, when he added: "*Admittedly, deriving benefits from international trade remains a challenge for most of our countries as measures such as Rules of Origin, infrastructure deficits, lack of diversification, overly high standards and technical barriers disguised as trade policy tools continue to restrict us from taking advantage of market access opportunities, thereby hampering our effective integration into the multilateral trading system*". But the EPAs, of

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[11] http://www.au.int/en/speeches/opening-statement-he-fatima-haram-acyl-african-union-commissioner-trade-and-industry

[12] http://www.worldbank.org/en/news/speech/2015/12/14/deepening-african-integration-intra-africa-trade-for-development-and-poverty-reduction

[13] http://unctad.org/meetings/en/Presentation/ditc-ted-09032016-accra-Minister-Trade-Ghana.pdf

which the Ghana's interim EPA, would open a large breach in the outer protection of African domestic markets rather than fostering extra-Africa exports.

The negotiations of the Tripartite free trade agreement (TFTA) were launched in June 2011 and initialled in June 2015. It includes the 27 States of the three Regional Economic Communities (RECs) of COMESA, EAC (Eastern Africa Community) and SADC, but not these 3 RECs themselves. The TFTA is not more credible than the CFTA although it is considered as a stepping stone towards it. Its 703 million inhabitants in 2016 go from Egypt to South Africa with very different development levels, these two countries alone accounting for more than half total GDP. However the prospects for achieving the TFTA are mixed because "*The TFTA would divide the customs unions as some countries have signed; others pledged to sign while giants like South Africa have declined to sign*"[14]. And this because "*SACU, which is a customs union… guiding principles prohibit members from joining on individual basis trading arrangements such as the TFTA... One of the reasons why caution is called for has to do with the challenges involved in finalizing tariff offers and rules of origin; which are the basic building blocks of an FTA*"[15]. Furthermore, for Johan Burger "*There are fears that the real big winners will be multinational corporations from outside Africa that have settled in big cities and would be provided with easy access to a multitude of markets. Another major problem that has not been dealt with yet, is the potential loss of revenue for governments, as customs duties are a major source of government revenue*"[16].

II – The AU cannot rely on foreign investments to build the CFTA and CCU

Most African investments are financed by the public ODA (Overseas Development Assistance) and private foreign companies. All the figures show a decline in investments flows to Africa and SSA, particularly if we took into account the data per capita, which augurs ill for the CFTA.

The net ODA per capita to Africa has declined by 2.3% per year from 2011 ($51.6) to 2015 ($51), of which the ODA grants per capita by 4.8% per year from $43 to $33.7[17]. And the net ODA per capita to SSA has declined by 3.3% per year from 2011 ($52.6) to 2015 ($44.5), of which the ODA grants per capita by 5.6% per year from $48 to $35.9.

According to the UNCTAD World investment report 2017 "*MNEs from developed economies remain the major investors in Africa and investors from developing economies are increasingly active*"[18], implying that investments made by African themselves are very low. And this in a context where the share of world FDI (foreign direct investment) stock in Africa has declined from 5.9% in 1980 to 3% in 2015, that of North Africa from 1.9% to 0.9%, that of SSA from 4.3% to 2.1%, of which that of ECOWAS from 0.7% to 0.6%, that to SADC from 3.3% to 1%, of which that to South Africa from 2.4% to 0.5%, that to COMESA from 1.2% to 0.9%, even if that of EAC has risen from 1.1% to 1.2% and that of CEEAC from 0.3% to 0.4%.

The FDI stock of $313 bn of the 10 major investor countries in Africa in 2015 accounted for 60.3% of the whole FDI stock in Africa of $520.6 bn, South Africa being the only African

[14] http://www.sundaystandard.info/new-tripartite-free-trade-area-threatens-future-sacu
[15] http://www.sundaystandard.info/new-tripartite-free-trade-area-threatens-future-sacu
[16] http://afric$usiness.com/2016/06/22/tfta/
[17] http://www.oecd.org/investment/statistics.htm
[18] http://unctad.org/en/pages/DIAE/World%20Investment%20Report/WIR-Series.aspx

country among the 10 ($22 bn)[19]. Furthermore an excellent UNCTAD paper of 2013 underscores that "*Africa accounts for a very low share of global FDI flows (2.8 per cent) and, more importantly, FDI flows to the continent are concentrated in a few countries and largely in the extractive sector. The latter has reinforced Africa's dependence on commodity exports and the vulnerability of African countries to external demand and speculation-driven commodity price movements. Moreover, to date, there is no evidence to indicate that FDI in Africa is contributing to economic diversification through backward and forward linkages. Under such circumstances, the tendency of FDI to reinforce enclave-type development – with external integration gaining more importance over the internal integration of the local economy – is a real concern. Against this background, this note questions the automatic efficiency gain assumptions implicit in the design of FDI policies in many African countries. It is misleading to assume that attracting FDI per se will automatically generate opportunities for technology transfer, linkages with domestic enterprises and opportunities for diversification into more dynamic activities*"[20].

Another important point is that "*The share of manufacturing in Africa's GDP fell from 15 per cent in 1990 to 10 per cent in 2008 (UNCTAD and UNIDO, 2011)*[21]*. The most significant decline was observed in Western Africa, where it fell from 13 to 5 per cent over the same period. Substantial deindustrialization was also observed in the other subregions of Africa. For example, in Eastern Africa the share of manufacturing in output fell from 13 per cent in 1990 to about 10 per cent in 2008, and in Central Africa it fell from 11 to 6 per cent over the same period. In Northern Africa it fell from about 13 to 11 per cent, and in Southern Africa it fell from 23 to 18 per cent. The declining share of manufacturing in Africa's output is of concern because historically manufacturing has been the main engine of high, rapid and sustained economic growth (UNCTAD and UNIDO, 2011). Furthermore, manufacturing is critical for absorbing the millions of young Africans who will be joining the labour market in the coming years. Already, 40 per cent of Africa's population resides in urban areas, and this number is projected to rise to about 60 per cent by 2050. Taking these considerations on board means rethinking the investment policy approach and moving the policy debate on investment away from the singular focus on FDI attraction towards a more balanced, pragmatic and strategic perspective on how FDI can fit into the development agenda in ways that bring about not only faster and sustained growth but also stimulate domestic investment and links with domestic enterprises to promote structural and technological change*".

Furthermore, UNECA has shown that "*Over the last 50 years, Africa is estimated to have lost in excess of $1 trillion in illicit financial flows (IFFs)… This sum is roughly equivalent to all of the official development assistance (ODA) received by Africa during the same timeframe. Currently, Africa is estimated to be losing more than $50 billion annually in IFFs. But these estimates may well fall short of reality because accurate data do not exist for all African countries*"[22]. The report adds that "*Africa has been a net creditor to the rest of the world owing to the considerable illicit financial outflows from the continent… Such flows perpetuate Africa's economic dependence on external aid. This is reflected by the proportion of official development assistance in the budgets of African Governments. Indeed, for some countries, official development assistance accounts for 70 per cent of total government revenue*".

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[19] http://unctad.org/Sections/dite_dir/docs/WIR2017/wir17_fdi_Africa_en.pdf
[20] http://unctad.org/meetings/en/SessionalDocuments/tdbex57d3_en.pdf
[21] It was of 10.6% in 2015: http://data.worldbank.org/indicator/NV.IND.MANF.ZS?locations=ZG
[22] http://www.uneca.org/sites/default/files/PublicationFiles/iff_main_report_26feb_en.pdf

However if ODA concerns official flows to Africa, 60% of illicit financial flows out of Africa come from the private sector "*through mis-pricing or invoice manipulation by multinational and private companies, with a view to channelling money abroad or laundering money by bribing regulators or inspectors*". In that context we might have some doubts about the effectiveness of the "Marshall plan for Africa" launched recently by the German government[23] and "The G-20 Compact with Africa" accompanying it[24]. They are "*based on the premise that significant progress can be achieved when African countries, G-20 members and partner countries, and International Organizations (IOs) work together to create a better environment for private investment*". Paradoxically while Addis Ababa Action Agenda had recognized that significant additional domestic public resources will be critical to achieve the Sustainable Development Goals, there is no allusion in the Marshall plan and the Compacts with Africa that the EPAs with the EU would reduce considerably these SSA public resources and would have a deterrent effect on private African or foreign investors given the expected loss of competitiveness with the products imported duty free from the EU.

Another issue of African market liberalization relates to the efficiency of export processing zones (EPZs) to attract FDI and foster regional development. According to François Bost, "*There are 29 free zones today in 11 West African countries, which can be broken down into free trade zones (6) and export processing zones (23) and to which may be added some 450 "free points"... West African countries that have adopted free zone regimes have not succeeded in attracting more foreign Direct investment (fDi) than countries that do not have such regimes*"[25].

Togo is the West African country with the largest EPZ, but with negative impacts. It accounts for more than half of its industrial exports and 80% of its products are sold in the ECOWAS[26], but the value added has declined over time: "*Since 1991, the EPZ has provided many benefits and privileges (tax, financial and administrative) to encourage businesses to generate more jobs and value added in the country. In 2001, the domestic value added accounted for 51% of corporate revenues established in the EPZs. Since then, this share has slipped just 18% in 2012 ... The contribution of EPZs to the modern employment has reached nearly 12% in 2013. The majority EPZ companies have moved away from legal provisions relating to the use of labor-intensive equipment in exchange for tax exemptions and other privileges. Manufacturing accounts for 88% of employment in the EPZs, but his participation in the creation of added value in the area is only 12%. This is a direct consequence of the low-skilled and less paid jobs, with more than half the jobs in the EPZs cover synthetic hair production, wigs, hairpieces and cosmetics ... But, intermediate consumption is largely imported. The share of local intermediate consumption in the EPZs fell 32% in 2000 to 12% in 2012. Curiously in manufacturing, imports have provided up to 94% of intermediate consumption*"[27].

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23 http://www.bmz.de/en/publications/type_of_publication/information_flyer/information_brochures/Materialie270_africa_marshallplan.pdf

24 http://www.bundesfinanzministerium.de/Content/EN/Standardartikel/Topics/Featured/G20/2017-03-30-g20-compact-with-africa-report.pdf?__blob=publicationFile&v=2

25 https://www.oecd.org/swac/publications/49814045.pdf

26 http://www.afdb.org/fr/blogs/measuring-the-pulse-of-economic-transformation-in-west-africa/post/the-role-of-togos-export-processing-zones-in-the-global-value-chain-13413/

27 http://www.afdb.org/fr/blogs/measuring-the-pulse-of-economic-transformation-in-west-africa/post/the-role-of-togos-export-processing-zones-in-the-global-value-chain-13413/

III – The CFTA and CCU are even more unrealistic for agri-food products

The UNCTAD report is particularly unreliable when it claims that intra-Africa agricultural exports, particularly in wheat, could almost replace extra-Africa imports: "*Africa's exports of agricultural and food products—particularly wheat, cereals, raw sugar (sugar cane and sugar beet) and processed food (meat, sugar and other food products)—would benefit most from the CFTA. These are products in which African economies have comparative advantages and that are sometimes highly protected by some countries in the region. Under the CFTA, Africa's export volumes of agricultural and food products would increase by an extra 7.2 per cent (or USD 3.8 billion) in 2022 above the baseline*". Indeed extra-Africa annual imports of wheat have jumped from \$3.184 billion (bn) from 2000-02 to \$11.625 bn in 2013-15 while exports have risen only from \$34 million to \$173 million implying a net deficit rising from \$3.150 bn to \$11.452 bn[28]. At the same time intra-Africa exports of wheat have only risen from \$24,572 to \$139,900. There is not a single African country which is a net exporter of wheat and the intra-Africa exports of wheat are re-exports to neighbouring countries of extra-Africa imports.

Furthermore UNCTAD adds: "*Eliminate tariffs on intra-African trade in agriculture through CFTA would be a key factor because agricultural trade protection face a rate higher than that of non-agricultural sectors*", proposing "*mutual concessions in market access between the parties between agriculture and industry*", the same assertion being made by TRALAC's researcher Willemien Viljoen for whom, in the CFTA: "*Tariff reductions should include sensitive areas like textile products, agricultural products and processed food items; and low tariffs should be reduced to zero to eliminate 'compounded' tariffs for products which cross borders multiple times*"[29]. These assertions show their total misunderstanding that agricultural markets have always been subject to special protection measures since the Pharaohs in all countries. Indeed, unlike industrial goods and services, they cannot self-regulate: facing a stable food demand in the short run, agricultural production and prices are subject to weather vagaries, which will increase with climate change, to which are added the fluctuations of world prices in dollars, accentuated by fluctuations in exchange rates and speculation. Given that African farmers account for 60% of the whole active population of SSA, we can imagine the huge social impact that liberalizing agricultural trade within SSA could have. At least the EPAs agree to not liberalize most agricultural imports from the EU, one of the reason being that they are highly subsidized by the EU. But UNCTAD and UNECA do not take this into account when proposing to eliminate all tariffs in intra-Africa trade so that the EU subsidized agricultural products would have a ripple effect of dumping throughout Africa.

We cannot forget either the strong land grabbing process which is still affecting many farmers communities throughout SSA – particularly in the Democratic Republic of Congo, Mozambique, Angola, Sudan, Ethiopia, Sierra Leone, Cameroon, Côte d'Ivoire, Liberia and Nigeria –, to name just a few countries investigated recently by the NGOs www.grain.org/ and www.farmlandgrab.org. Knowing that these land grabs are mainly done by non-Africans and are mostly aimed at exporting agri-food products or agrofuels, which would aggravate SSA's food trade deficit.

At this stage it is useful to compare the agricultural tariffs of the 5 SSA regional economic communities (RECs) in their EPA configuration, together with those of Morocco, Egypt and

[28] http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx
[29] http://us2.campaign-archive1.com/?u=3bfd093b3611382763c2c1a5e&id=867493c6b5&e=7590d8f955

the EU in 2016 for the four basic staple foods: cereals, dairy, meats and eggs (table below). These data are taken from the WTO tariff analysis online facility[30] which gives a first basis of comparison of applied duties but it is a basis which should be confirmed by considering national data and USDA GAIN attachés reports and by verifying data on tariff rate quotas (TRQs). Let's take the examples of soft wheat in Morocco, South Africa and the EU.

Table 2 – Applied agricultural duties in the SSA RECs, Morocco, Egypt and EU in 2016

Cereal products											
	100199	100119	1003	1005	1006	1007&1008	1101	1103	1107	1108	1109
	Soft wheat	Durum wheat	Barley	Maize	Rice	Sorghum, milllet	Wheat flour	Groat	Malt	Cereal starch	Gluten
ECOWAS	5%	5%	5%	5%	10%	5%	20%	5%	5%	10%	10%
SADC	120.7 $/t*	0%	0%	0%	0%	0%	239 c/kg	20%	0	10%	0%
EAC	0%	10%	25%	50%	75% ou $345/t	25%	50%	25%	10%	10%	10%
Cameroon	5%	10%	10%	30%	5%	30%	30%	10%	10%	10 to 30%	10%
ESA	0%	0%	0%	0%	0%	0%	15%	0%	0%	0%	0%
Morocco	135%	2,50%	2,50%	2,50	50%	2,50%	70%¤	70%	40%	30%	2,50%
Egypt	0%	0%	0%	0%	0%	5%	2%	2%	10%	5%	0%
EU**	0%	0%	0%	0%	65 à 211 €/t	Mil : 56 €/t Sorgho : 0	172 €/t	186 €/t	173 €/t	166 à 224 €/t	512 €/t
Produits laitiers											
	040110	040210	040221	0403	0404	0405	0406	190110	19019099	2105	3501
	Milk-cream	Milk powder		yogurt	whey	Butter	Cheese	Infant formula	Milk powder+ palm-copra oil	Ice-cream	casein
ECOWAS	20%	5%	10%***	35%	5 or 20%	20%	20%	5%	20%	20%	5%
SADC	0%	27.7 €/kg max96%	27.7 €/kg max96%	0%	27.7 €/kg max96%	30.8 €/kg max79%	30.8€/kg Max 95%	20%	20%	10%	0%
EAC	60%	60%	60%	60%	25%	25%	60%	25%	25%	25%	10%
Cameroon	20%	20%	20%	30%	30%	30%	30%	5%	30%	30%	10%
ESA	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Morocco	100%	100%	100%	100%	2,50%	10 to 25%	25%	10%	10%	40%***	2,50%
Egypt	5%	0%	10 à 20%	5%	0 ou 5%	5%	10%	0%	10%	30%	5%
EU**	129 ou 138 €/t	1188 ou 1254 €/t	1304 €/t	244 €/t	8,3% + 950 €/t	1896 à 2313€/t	1671 à 2212 €/t	7,6%+EA	7,6%+EA	Max19,4%+94 €/t	0%
Viandes et oeufs											
	020712	020714	020727	020629	0202	0203	020649	160100	0407	040811	040891
	Poultry meat			Bovine meat		Pig meat			Eggs		
ECOWAS	35%	35%	35%	35%	35%	35%	35%	35%	35%	20%	20%
SADC	31%	12 to 37%	0%	0%	40% ou 14.8€/kg	15% ou 8 €/kg	0%	0%	0%	19%	0%
EAC	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Cameroon	20%	20%	20%	20%	20%	20%	20%	30%	5 or 30%	30%	30%
ESA	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Morocco	100%	100%	100%	40%	200%	49%	49%	40%	40%	10%***	10 à 25%
Egypt	30%	30%	30%	5%	0%	20%	30%	30%	5%	5%	10%
EU**	297 à 325 €/t	1024 €/t	410 à 815 €/t	12,8%+3041 €/t	12,8% + 1768 €/t	536 à 869 €/t	0%	1005 €/t	250€/1000 eggs	1423 €/t	1374 €/t

* tarif on 15 March 2017; ** beyond TRQ; ¤ 66% in the EU-Morocco FTA; *** 10% in bags of 25 kg or more and 5% below 25 kg; *** 29.40% in the EU-Morocco FTA; EA: agricultural component of codes 190110 and 19019099

Even if Morocco imports generally about half its domestic needs of soft wheat (5 Mt over 10 Mt) its applied tariff is usually of 30% but is much higher from May to October and the government has even decided on 27 April 2017 to raise it at 135% until December (still below the 170% bound tariff)[31]. Because farmers may sell common wheat either to government licensed traders (grain merchants, cooperatives and mills) at a preset price ($264/MT) or in the free market[32]. Prices of other grains (e.g., durum wheat and barley) have no guaranteed price.

The wheat tariff in South Africa (and in the SACU common external tariff, CET) is a type of variable levy, being the difference between the "national reference price" fixed at 294 $/t

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[30] https://tao.wto.org/welcome.aspx?ReturnUrl=%2f%3fui%3d1&ui=1

[31] Applied and bound duties per WTO Member: https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm#collapseM

[32] https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual_Rabat_Morocco_4-14-2017.pdf

since May 2013 and the average of the last 3 weeks FOB price, Gulf of Mexico, of the US Hard Red Winter (HRW) wheat No. 2, plus a safeguard measure of 10.27% to offset the "Producer Support Estimate" (PSE) of the EU agricultural sector to neutralize the impact of subsidies to wheat exports, less the average cost of freight of 45 $/t over the past 5 years between the Gulf of Mexico and a South African Port[33]. Although the calculation of the tariff is based on the FOB price of US HRW wheat, it applies to all imported types of soft wheat whatever the country of origin, which in 2014 came mainly from Russia and Ukraine and to a lesser extent from Germany, and whatever the wheat protein content. As the FOB price of US HRW wheat has declined much from $320 in May 2013 to $180 in May 2017 the SA tariff has risen considerably to $148/t (175+18-45) in May 2017, assuming no change in the cost of freight, which, related to the SA CIF price of $220/t, implies an ad valorem equivalent duty of 67.3%. As of 15 March 2017 the tariff was of 120.74 $/t[34].

Since the WTO (1995), the applied duties for the major EU cereals other than rice are the difference between 155% of the intervention price of 101.31 €/t, i.e. 157.03 €/t, and the "representative" CIF world price at the port of Rotterdam, but never higher than the following bound rates of €/t (table 1):

Table 1 – Bound duties of EU cereals

Durum wheat	Soft wheat	Rye	Barley	Oats	Maize	Sorghum	Buckwheat	Millet	Triticale
100119	100199	1002	1003	1004	1005	1007	100810	100829	100860
148	95	93	93	89	94	94	37	56	93

The representative cif price comprises three elements: its price on a world reference market – the Northern Spring Wheat n°2 at the Minneapolis Grain Exchange is the reference for the EU high quality common wheat and durum wheat, and the yellow corn n°3 of the Chicago Mercantile Exchange is the reference for the EU maize, rye and sorghum –, plus the cost of freight (labelled "commercial premium") to a US export port (US Gulf or US Great Lakes/Duluth) plus the cost of freight between the US port and Rotterdam. This total is then converted into euros from dollars at the daily $/€ exchange rate. As, since 8 November 2014, the representative CIF price has been largely above 157.03 €/t for the high quality common wheat and durum wheat the EU import duty has remained at 0. The daily data are available on the EU Commission website[35]. However the representative CIF price for maize is now very close to 157.03 €/t as it was of 157.94 €/t on 13 June 2017.

For the other EU cereals – medium and low quality common wheat, barley and oats –, there are tariff rate quotas (TRQs) where the tariff within TRQs is of 12 €/t and the above TRQ duty is the bound duty of 95, 93 and 89 €/t. For medium and low quality common wheat the TRQ is of 3.112 Mt (of which 572,000 t for the US, 38,353 t for Canada, the rest for other countries) with a duty of 12€/t under TRQ. However a new TRQ of 950,000 t of medium and low quality common wheat has been granted duty free to Ukraine for 2016. In 2016 total imports of medium and low quality wheat were of 3.392 Mt, of which 1.061 Mt from Ukraine. Which implies that all imports were made under TRQs and total duties were only of €29.304 million (2.442 Mt x 12 €/t) and the average tariff was of 11.6 €/t with an ad valorem

[33] http://landbou.com/wp-content/uploads/2014/05/8a4498df-f5bc-459f-9e9d-0589c6e97425.pdf

[34] https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual_Pretoria_South%20Africa%20-%20Republic%20of_3-16-2017.pdf

[35] https://ec.europa.eu/agriculture/cereals/trade_en

equivalent of 5.9%. As the TRQ of barley was larger than total imports in 2016 its applied duty was also at zero.

A rapid comparison of the import duties of the 5 SSA CERs for cereal products, dairy products and meat show their large differences, before taking into account the reductions linked to the EPAs. What is surprising is that all these products are imported duty free in ESA (with the only exception of wheat flour) whereas the duties are the highest in EAC, particularly on dairy. For meats ECOWAS takes the lead, followed by EAC and Cameroon. For soft wheat SADC has the highest duties and for other cereals EAC takes the lead, followed by Cameroon.

If we compare with Morocco, which has applied to join ECOWAS, and with Egypt, it is clear that Morocco has much higher duties on the three products (cereals, dairy and meat) so that it could not agree to the CFTA and CCU. Egypt could not agree either to reduce much its duties on poultry and pig meats.

Now if we compare the EU duties with those of Africa, it is clear that, except on raw cereals, its duties are much higher than those of Africa for processed cereals, dairy and meats even if for meats a significant part are imported under TRQs at lower duties than those shown in table 2 under TRQs. Given the important import substitution effect of the EU domestic subsidies its actual import duties after integrating its subsidies are much larger.

IV – Additional preliminary criticisms to the CFTA and CCU

Already geopolitics shows that it would be almost impossible to establish common trade rules in this huge continent with a population of 1.2 bn in 2016, expected to reach 2.5 bn in 2050, with very different political institutions, poor transport infrastructures, and where per capita GNI (gross national income) in 2015 goes from $260 in Burundi to $14,760 in Seychelles, through $1,000 in Sénégal, $1,330 in Cameroon, $1,340 in Kenya, $1,410 in Côte d'Ivoire, $1,480 in Ghana, $2,820 in Nigeria, $3,040 in Morocco, $3,340 in Egypt, $3,970 in Tunisia, $6,050 in South Africa and $6, 510 in Botswana[36].

UNCTAD endorses fully the CFTA objective to reach "*a broader and deeper level of liberalization than existing in extra-regional FTAs (such as the ACP-EU EPA* [Economic Partnership Agreement] *and other bilateral FTAs)*"[37]. In other words UNCTAD takes for granted the implementation of the EPAs and has nothing to complain about. However, as the EPAs would liberalize 80% of imports from the EU these duty-free imports would find their way in all SSA countries given the lax rules of origin so that the expectations that the CFTA would increase intra-African trade would not materialize. Because the products imported duty free from the EU would be more competitive than most African products despite the deeper level of liberalization the CFTA is expected to make. The South Centre for example has shown that only 6% of Nigerian tariff lines are more competitive than EU products.

The Third World Network Africa summarizes the likely impact of the CFTA: "*The processes leading to the establishment of the CFTA have not been as transparent, participatory and inclusive… The citizenry, the main 'beneficiaries' of the CFTA, have not played any meaningful role in the processes outlined so far… The RECs as such are not parties to the*

[36] http://unctad.org/en/PublicationsLibrary/ditc2015misc3_en.pdf
[37] http://unctad.org/en/PublicationsLibrary/ditc2015misc3_en.pdf

negotiations… CFTA that comes in being will simply create a giant African market place with little of African products to trade in… The CFTA will simply facilitate the movement of products imported from Europe and other areas across Africa… The CFTA is a lower level of integration than the customs union already in place in some regions, such as West Africa and EAC, with their common external tariffs"[38].

The African Civil Society's Statement of 27 November 2016 added: "*The processes involved in the design and negotiations of the CFTA are so far opaque and exclusive. The structures created for the CFTA have little or no space for the involvement of civil society, the private sector, and the different social groups and economic constituencies whose interests are implicated… Rather than fast-tracking the CFTA on its own, there must be proper sequencing of any liberalisation measures with constructive policies to strengthen productive capabilities in African economies, build domestic enterprise and promote the rights and social protection of workers, farmers, traders, women and all other citizens*"[39].

Instead of this headlong rush in a non-mastered free trade, the reason commands to start by strengthening each REC during at least a generation before expanding free trade to other RECs and a fortiori to the entire continent. As noted by Cheikh Tidiane Dieye, director of ENDA-CACID, "*In many cases, it is the States themselves which refuse to implement the decisions which they have freely taken. The most striking example is the free movement of goods and people in West Africa. Since 1979 ECOWAS has adopted a protocol on free movement of goods and persons, reinforced later by an arsenal of regulations and decisions, the Scheme of trade liberalization of ECOWAS (SLEC) and more recently the common external Tariff (CET). But it suffices to travel between the West African countries to realize the gap between the legal decisions and actions on the ground*"[40]. It is then difficult to follow him when he pleads at the same time for the CFTA and the implementation of the trade facilitation agreement which would render impossible the regional integration and the effectiveness of the CET[41]. Ademola Oyejide, emeritus Professor of the University of Ibadan, went further in 2015: "*One of the reasons for Nigeria to stay out of the EPA is that the economy must first fully internalize the costs of adjustment related to the implementation of the CET before having to adjust to a different set generated by the significant trade liberalization that would come with the EPA*"[42].

It is worth remembering the warning of the famous development economist Ignacy Sachs who said in 1971: "*Under the effect of the example of the European Common Market, many countries of the Third World are lulled by excessive hopes in regional integrations conceived on the European model, that is obtained by the gradual opening of markets. In my opinion, this is a false trajectory because the reduction of tariffs helps in the first place the expansion of multinational enterprises established within common markets, more powerful and better prepared to seize new opportunities*"[43].

[38] http://twnafrica.org/Agenda%2019.2.pdf
[39] https://www.tralac.org/resources/by-region/cfta.html
[40] http://www.ictsd.org/sites/default/files/review/Pass_August_16.pdf
[41] http://www.ictsd.org/bridges-news/passerelles/news/mise-en-%C5%93uvre-de-laccord-sur-la-facilitation-des-%C3%A9changes-e
[42] http://www.frontiersnews.com/NG/?p=34371
[43] Ignacy Sachs, *La découverte du Tiers Monde*, Flammarion, 1971.

Conclusion

If we should criticize unambiguously the EU trade policy, particularly the EPAs, this should not prevent us from drawing lessons for Africa from the EU own integration policy. If the AU stresses that intra-African trade is on the order of 10% of its total trade, while intra-EU trade accounts for almost two-thirds of its total trade, this did not happen miraculously. Although the EU budget has always been very limited at about 1% of GDP, more than a third has been devoted to the Structural Funds and the Cohesion Fund, which have greatly facilitated the catching-up of the less developed Member States of the EU-15 and then even more of the 13 new Eastern European Member States since 2004. Poland is the best example of the role of these funds in its successful integration. Poland has been the main net beneficiary of the EU budget since 2009, with € 61.4 billion from 2004 to 2013. Its GDP has increased by more than 20% from 2008 to 2013, which is by far the best performance of the EU, and its GDP per capita has risen from 48.8% of the EU27 average in 2003 to 66.9% in 2012. Conversely the Brexit occurred because of the insufficient redistribution policy in the UK and the same cause explains largely the accession of Donald Trump to the US Presidency.

The lessons for the SSA RECs are clear: a sustainable regional economic integration of their Member States with their huge disparities in development level is impossible without a policy of significant income redistribution within each of them, implying a minimal political integration with large budgets. And this would apply even more to larger integration areas such as the Tripartite Agreement and even more the CFTA and CCU. Without minimal redistribution policies premature free trade areas would marginalize the poorest households, businesses and regions, generating structural socio-political conflicts and a further under-development of Africa.