THE AFRICAN CONTINENTAL FREE TRADE AREA, BREXIT AND EPA IMPLEMENTATION:

Opportunities and Challenges Arising from the Brexit Process for Revising Economic Partnership Agreements with the EU in the Agro-Food Sector

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Summary

The African Context

- The growth and evolution of African food demand creates enormous market opportunities for the structural development of African agro-food sector.
- The formation of an African Continental Free Trade Area by allowing economic of scale to be attained in serving an integrated regional market could potentially support this process.
- However, it is recognised that moving forward trade liberalisation in the agro-food sector across Africa will be a 'sensitive' process which will need to be carefully managed if it is to be politically sustainable.
- Currently, a range of African governments make extensive use of tariffs and non-tariff trade policy tools to manage trade in order to protect and promote national agro-food sector development in the interests of wider public policy objectives.
- Negotiating tariff reductions and the 'managed' expansion of market access under pan-Africa trade liberalisation processes will be facilitated by the expansion and evolution of African food demand which is underway.
- However, this process of negotiation of expansion of market access using non-tariff trade policy tools to manage the process is likely to be complicated by:
  a) the aggressive targeting of African markets by EU agro-food sector companies whose profitability is increasingly dependent on finding Third country markets for both basic agricultural products and value-added food products, produced from EU agricultural raw materials
  b) policy commitments made by a range of African governments under their trade agreements with the EU (EPAs), most notably in regard to tariff standstill commitments, the prohibition of the use of

quantitative restrictions on imports from the EU and commitments to 'national treatment' for EU exporters.

The EU-Africa Trade Context

- As the process of CAP reform has been increasingly rolled out, so EU agro-food exports have increased dramatically, including the sub-Saharan African markets.
- CAP reform process has both enhanced the price competitiveness of the EU agro-food products and released the EU agro-food sector from WTO constraints on exports.
- Since 2010 EU has been running a rapidly expanding agro-food sector trade surplus, with Africa's traditional agro-food sector trade surplus with the EU shrinking, as the value of EU exports has grown faster than the value of EU imports of agro-food products from Africa.
- Parallel with the CAP reform process, the EU has set in place a trade policy designed to progressively open up markets to EU exporters on a preferential basis, with the economic partnership agreement negotiations with African governments forming an integral part of this policy.
- This EU trade policy was seen as an essential complement to the process of EU agricultural reforms, with one of the first test cases of the new approach being the negotiation of the EU's trade agreement with post-apartheid South Africa, which was initiated in 1994.
- This approach was carried over into the Cotonou Agreement, which provided the basis for the launch of economic partnership agreement negotiations with regional groupings of sub-Saharan African countries in 2002.
- From July 2007 a strong focus emerged not only on securing the elimination of import tariffs, but also the systematic removal of non-tariff barriers to EU agro-food exports, which are seen by EU exporters as the principal obstacle to the continued expansion of extra-EU agro-food exports.
- This provides the context for the ongoing EPA negotiations, the implementation of concluded EPAs and the elaboration of concrete arrangements for the implementation of African Continental FTA commitments.

Implementing the African CFTA and EPAs

- **The Context and Main Areas Where Challenges Will Be Faced**

- In moving forward with the creation of an African Continental free trade, in the agro-food sector there are four distinct areas which African governments will have to address over time:
  - the extent and time table for tariff reduction and elimination commitments
  - the future use of non-tariff trade policy measures (which is a particularly important issue in the agro-food sector).
  - rules of origin to be applied to agro-food product which can be traded with the benefit of tariff preferences agreed under the AfCFTA
  - the standards to be applied to agro-food products which can be freely traded under the AfCFTA.
- Each of these four areas can be impacted by the current trends in EU agro-food exports to Africa and the trade commitments made in the context of trade agreements concluded by African governments with the EU.
- These impacts need to be seen in context of the major tension which exists between African aspirations for the structural transformation of domestic agro-food sectors and the increasing export focus of the EU agro-food sector both in terms of trade and investment opportunities.
- These impacts also need to be seen in the context of the limited scope of African engagement with EU economic partnership agreements:
  - only 15 governments have signed, ratified and are in the process of implementing EPAs, representing only 24% of the population of sub-Saharan Africa;
  - 15 other governments remain engaged with an EPA process representing 20% of the population of sub-Saharan Africa;
  - 4 sub-Saharan African governments are ambiguously engaged with an EPA process, with these countries accounting for 25% of the population of sub-Saharan Africa;
  - 13 sub-Saharan African governments are no longer engaged with an EPA process, with these countries accounting for 31% of the population of sub-Saharan Africa.

- In this context there is a real danger that in terms of trade policy development, the 'tail' of EPAs with the EU could end up wagging the 'dog' of pan-African regional trade policy integration policy??? is this second policy not redundant? simply by virtue of having been first on the scene.
- This is a policy challenge African governments will need to get to grips with in operationalising AfCFTA commitments, with this posing a particularly acute policy challenge in the agro-food sector.

- **The Tariff Dimension**

- Given current patterns of EU exports which often focus on low tariff points of entry to African markets, the differing scope and pace of tariff elimination on imports from the EU across Africa, could greatly complicate the process of negotiating intra-African tariff reductions, with the danger arising that EU goods could flow through low tariff points of entry into African markets whose current policy is to maintain tariffs on imports from the EU.
- African governments will need to find mechanisms for managing this dimension, if the onward trade in EU agro-food products is not to undermine the national agro-food sector development strategies of neighbouring African countries through the exploitation of the AfCFTA tariff elimination processes.

- **The Non-Tariff Trade Policy Dimension**

- Non-tariff trade policy tools are extensively used in sub-Saharan Africa to protect and promote the development of particular agro-food sectors.
- There is a recognition that in order to move forward market integration in the agro-food sector, African governments will need to be allowed to continue to make use of non-tariff trade policy tools, but in a context where market access for neighbouring African suppliers is progressively expanded as domestic demand increases.
- However, this managed intra-African trade liberalisation approach in the agro-food sector would be in conflict with EPA commitments by at least 15 African governments to the elimination of quantitative restrictions on imports from the EU and the granting of equivalent 'national treatment' to EU goods.

- African governments will need to find mechanisms for managing this dimension, if neighbouring African suppliers are not to be discriminated in favour of EU suppliers in the implementation of non-tariff trade policy measures set in place as part of a 'managed' liberalisation of intra-African agro-food sector trade.

- **The Rules of Origin Dimension**

- Establishing rules of origin for goods to be traded under the AfCFTA will need to be an integral part of intra-African trade negotiations.
- However, this process could be greatly complicated by different patterns of EU trade and investment engagement in coastal African states which have become platforms for repacking and first stage processing of imports of EU food product which are then onward traded into neighbouring African markets.
- Given that imports of agricultural inputs from the EU can serve to disrupt national and intra-regional agricultural supply chains (e.g. in the dairy sector), in a range of agro-food products, there is likely to be no easy consensus on the level of value added processing required for value added food products to be granted originating status under the rules of origin to be established under the AfCFTA.

- **The Standards Dimension**

- The issue of product standards is seen as a critical trade issue by the EU since divergent national standards are seen as an important barrier to both EU exports and EU investment.
- In this context the EU is increasingly seeking to promote product standards in Africa which are aligned with EU standards.
- It is against this background that standards harmonisation within EU-Africa trade agreement processes could serve to pre-empt intra-African discussions on standards harmonisation within the AfCFTA process.
- This could come to carry important implications for both the origin of investment in African agro-food sector development and the trade opportunities which exist for different types of African agricultural producers.
- If EU standards were to take precedence then this could leave a wide range of African agro-food producers commercially vulnerable to

take-overs by EU agro-food sector companies, who can offer a 'short-cut' to standards compliance across emerging regional markets.

- Against this background, care will need to be taken to ensure dialogue with the EU around agro-food sector standards in an EPA context do not pre-empt discussions on appropriate regional standards for agro-food products in a pan African FTA context.
- This is likely to be a particularly tricky issue in the AfCFTA context, given the differing interests of national agro-food sector producers and the different rates of integration of African agro-food sector companies within the production, investment and trade strategies of increasingly internationally orientated??? oriented EU agro-food sector companies

The Complicating Factor of Brexit

- Brexit changes the economic equation underpinning EPA implementation by:
    - removing the UK from the market served, thereby reducing the economic value of the EPA market access;
    - complicating the functioning of triangular supply chains built up to serve EU28 markets via a single point of entry and increasing the costs of using these supply chains (e.g. floriculture and horticulture exports to the UK via Holland or sugar and banana exports to Ireland via the UK);
    - potentially reducing the value of existing preferential access to the UK market as a result of new UK trade policies which lower UK MFN tariffs below EU levels;
    - undermining the value of preferences on the EU27 markets through a de facto expansion of market access for non-ACP exporters under EU FTA TRQ arrangements, as a result of the removal of the UK import demand from the EU market equation (e.g. for bananas and sugar);
    - adding new costs to serving UK markets as a result of possible regulatory divergence (e.g. for SPS and food safety controls);
    - creating added pressures on EU27 and UK exporters to find alternative markets in the face of an increasingly imminent prospect of a 'hard' Brexit in the agro-food sector (trade diversion effects)

    - o requiring a re-definition of the rules of origin applied to EU27 exports to Africa
    - o requiring a new definition of rules of origin to be applied to African exports to the UK and UK exports to Africa.

- While all of these Brexit related issues should be addressed through negotiations with both the EU27 and the UK, perhaps the most serious from an AfCFTA perspective is the potential for a ‘hard' Brexit which would be likely to displace a significant volume of EU27/UK agro-food exports onto third country markets including African markets.
- The trade displacement effects are likely to be far more severe than the trade effects of the August 2014 Russian import embargo, which saw a major expansion of EU exports of poultry meat, milk powders and a range of horticulture products (notably onions) to African markets, with these exports carrying important consequences for the functioning of local markets of importance to African agricultural producers.
- In the context of these changed trade circumstance it would appear important that African governments retained the right to use non-tariff trade policy tools to restrict import surges which could disrupt domestic African supply chains and production.

Policy Options in Dealing with EPA Complications within the AfCFTA Process

- **Addressing Rules of Origin Issues**

- Ideally, African governments should seek to negotiate rules of origin for agro-food products which limit the use of imported inputs in agro-food products where domestic production exists, could be expanded or developed.
- However, this is likely to be a difficult process given the different production capacities of African countries, the differing trade policies applied by African governments and differing patterns of current trade investment and trade relations established with the EU.
- Even if agreement could be reached on strict rules of origin for agro-food products to be granted preferential access under an African CFTA, there would remain the problem of enforcement.

- Against this background, it may prove exceptionally difficult to use rules of origin to prevent the differential application of tariff reductions on imports in EPA signatory countries spilling over into African countries which have not yet concluded EPAs or are not now engaged in an EPA process.
- This may require the use of other trade policy measures in ‘sensitive’ agro-food sectors notably quantitative controls on imports on ‘sensitive’ products.

- Using Non-Tariff Trade Policy Tools

- In the context of the difficulties which will be faced in agreeing and implementing rules of origin to prevent third country agro-food producers (mainly from the EU) from being the principal beneficiaries of African agro-food sector trade integration, African governments will need to ensure they retain the space for the utilisation of non-tariff trade measures to manage the Pan-African liberalisation of agro-food sector trade.
- This will require existing EPA commitments on the use of non-tariff trade policy measures to be interpreted and applied in a flexible and responsible manner which:
  a) accords priority to the integrated development of national and regional agro-food sector supply chains;
  b) allows the policy space for African governments to pursue a managed trade liberations process in the agro-food sector, which accommodates national sensitivities while progressing expanding intra-regional trade opportunities in sensitive products.
- Specifically, this will require the EU to:
  a) allow African governments the right to continue to use both seasonal and quantitative restrictions on imports from the EU (and all other sources including African sources of supply) despite the commitments contained in various EPAs to the elimination of quantitative restrictions on trade with the EU from the date of entry into force of the EPAs;
  b) allow African governments the right to grant national and reginal suppliers preferential access to markets, despite the non-discrimination commitments contained in the various EPAs concluded by African governments with the EU.

- **Harmonising Standards**

- Preventing dialogues with the EU on food product standards pre-empting policy discussions in an AU context of appropriate food product standards which take into account current African production realities, is likely to be the most difficult issue faced within the AFCFTA process.
- Deferring intra-African discussions on standards issue until some future date could serve to close-off opportunities for regional standards formulation based in the first instance on regional production realities, given the on-going nature of standards harmonisation processes in dialogues with the EU.
- This could carry important implications for both the origin of investment in African agro-food sector development and the trade opportunities which exist for different types of African agricultural producers.
- Currently the most effective mechanisms for addressing this issue is likely to be:
  - ensuring that intra-African discussions on standards harmonisation are adequately resourced and prioritised;
  - establishing regular information exchanges on the progress of discussions with the EU on standards harmonisation within different EPA processes underway in Africa;
  - convening sector and product specific review processes on the state of standards harmonisation at the multilateral inter-continental (EU-Africa) and intra-regional (e.g. EAC) inter regional levels (AU).

Introduction

This analysis seeks to review the constraints in the agro-food sector which could arise in moving forward with the implementation of an African Continental Free Trade Area (AfCFTA) from the pre-existing commitments made by a number of African governments under the Economic Partnership Agreements (EPAs) with the EU which have been concluded or are still in the process of being concluded. Given the focus on the EU's economic partnership agreements, this analysis does not include the implications for North African participants in the AfCFTA process.

It seeks to review these constraints in the light of the UK's scheduled withdrawal from the European Union, which for a range of African countries significantly alters the economic benefits derived from the concluded economic partnership agreements and which more fundamentally transforms a range of important implementation modalities of these pre-existing trade agreements.

These changes are sufficiently significant to warrant a substantive revision of a range of commitments entered into under the EPAs. These changes should aim to better accommodate African aspirations to move progressively towards the creation of a continental free trade area in ways which support the structural development of African economies. This needs to be seen in the light of the trade disruptions potentially arising from the process of the UK's withdrawal from the EU.

The focus of the analysis in this paper is on the agro-food sector where serious tensions exist between African aspirations for the structural development of their agro-food sectors in the light of the rapid expansion of African demand for more and better food, and Europe's increasingly internationally orientated?? agro-food sector trade and investment policies.

It is assumed in this context that one of the underlying objectives of African Continental Free Trade Area initiative is to create a larger market in support of the structural transformation of African economies, including African agro-food sectors.

In this context, the paper seeks to address how the attainment of these underlying objectives can be promoted in the agro-food sector through a revision of the provisions of economic partnership agreements with the EU, where the departure of the UK from the EU creates an opportunity to undertake.

The paper will start by reviewing the background to recent trends in EU-Africa agro-food sector trade and the factors driving these trends. It will then look at the state of play in EU-Africa EPA negotiations and the nature of the commitments entered into under these agreements.

It will then look at the different dimensions of the AfCFTA process which will need to be addressed in the agro-food sector, and explore how these interface with existing and evolving commitments made in trade agreements with the EU.

The paper will then go on to look at how the UK's departure from the EU affects Africa's agro-food sector trade relations with the EU and the opportunities this could potentially give rise to for reviewing existing commitments African governments have made under EPAs, which could inhibit progress with the implementation of AfCFTA ambitions in the agro-food sector.

It will then close with a brief outline of an agenda for political action designed to maximise the policy space for the future implementation of an effective AfCFTA process which supports the structural transformation of African agro-food sectors, through which African food needs are increasingly met from more efficient and higher quality African agro-food industry.

Background to recent trends in EU-Africa Agro-Food Sector Trade

The Roots of EU Agricultural Reform

Until the end of the cold war European agricultural policy had been focussed on promoting European food security, with a strong emphasis on self-sufficiency. A system of high agricultural prices insulated from global prices by protectionist trade policies and supported by extensive public storage schemes and export support payments, kept European agro-food production domestically focussed. However, with the collapse of the Soviet Union and the removal of pre-eminent security threat to the EU it was recognised that policy reforms were necessary to equip EU agro-food sector enterprises to respond to shifting global patterns of food demand. From 1992, this saw the European Union (EU) pursuing a very gradual yet systematic reform of its agricultural policies.

Agricultural policy reforms announced in 1992 began a gradual shift from a system of price support to a system of direct aid payments to EU farmers. Guaranteed prices were gradually reduced, with direct aid payments to EU farmers being gradually increased, to partially compensate for income losses and to support a restructuring of agriculture in the EU. This restructuring aimed to shift production of particular commodities to the lowest production cost areas of the EU for that particular commodity.

Cereals Sector Reform: The Impact on Trade with Africa

This reform process was first initiated in the cereals sector. The cereals sector is at the heart of EU agricultural production, since it feeds into both domestic EU livestock production and the production of a wide range of value-added food product (e.g. pasta). This first phase of EU cereals-sector reform involving reforms in 1992, 1995 and 2000, served to fuel the export of EU cereal-based food products and EU poultry meat to African markets.

For the category 'products of the milling industry' (CN 11) EU exports to ACP countries (primarily sub-Saharan African markets) rose by 83% in value terms between 1996 and 2002, while that for 'preparations of cereals' (CN 19) exports from the EU to ACP countries (again primarily sub-Saharan African markets) rose by 163% in value terms. This increased the importance of the ACP markets (primarily sub-Saharan African markets) to EU exporters from 12.6% to 20.6% in the case of 'products of the milling industry' and from 4.9% to 9.5% in the case of 'preparations of cereals'[1].

This was in part driven by investments in North African countries in local milling and processing of cheaper grains sourced from Black Sea production regions, a development which reduced EU export opportunities to these markets. This saw EU exporters falling back on 'markets of last resort' in sub-Saharan Africa.

This process of falling back on 'markets of last resort' in Africa has become a feature of the operation of EU exporters across a range of sectors as the EU agro-food sector has become more internationally orientated?? oriented?. However, overtime, the long-term commercial potential of growing African markets came to be appreciated by EU agro-food exporters, with some sectors in sub-Saharan African markets coming to take on important commercial significance (e.g. in the poultry meat and dairy sectors).[2]

The reduction in feed costs which cereals-sector reform brought about also served to fuel EU meat-product exports (particularly of poultry). Between 1996 and 2002, EU exports of meat products to ACP countries (primarily sub-Saharan African markets) increased by 121% in value terms. This saw the importance of the ACP market (primarily sub-Saharan African markets) increase from 3.5% to 6.9% of total EU meat-product exports.

[1]The share of sub-Saharan African markets for 'products of the milling industry' and 'preparations of cereals' peaked in 2013 respectively at 24.78% and 10.82% of total extra-EU exports respectively, falling to shares of 17.22% and 9.55% respectively in 2017 on the basis of a 21.2% and 39.1% increase in total extra-EU exports of 'products of the milling industry' and 'preparations of cereals'. Between 2013 and 2017 while the value of EU exports of 'products of the milling industry' to sub-Saharan African markets fell 15.8%, the value of EU exports of 'preparations of cereals' to sub-Saharan African markets increased 22.8%.

[2]In the dairy sector this essentially supports EU safety net measures by allowing an outlet to be found for milk powder products. It is the production of milk powder and its storage with the benefit of public support which prevent EU milk market prices falling to levels which would force more EU milk producers out of production than is currently the case, with this having the potential to undermine the basis of diary production in a range of EU member states.

Changes to EU food safety regulations in response to the post 1986 BSE/CJD health scare saw a ban introduced on the feeding of meat and bone meal to livestock. This measure, alongside a distinct EU consumer preference for poultry breast meat, meant market opportunities for poultry parts produced in the EU were limited. With growing consumer demand for white poultry meat in the EU, the maintenance of a protective wall of carefully regulated TRQ based import arrangements saw EU poultry meat production grow rapidly.

It was against this background that the importance of sub-Saharan African markets to the EU poultry sector also started to grow rapidly. This was to be just the beginning of the process. By 2009 sub-Saharan African markets were accounting for 23% of total extra-EU poultry meat exports while by 2013, sub-Saharan Africa was taking fully 41.2% of total extra-EU poultry meat exports.

The introduction of Russian agro-food product import embargo in August 2014 saw a further increase by 2016. With the importance of sub-Saharan African markets to extra-EU poultry meat exports rising to 46.8% of total extra-EU poultry meat exports, African markets once again became ‘markets of last resort’ in the face of disruptions to EU exports in a major export market - Russia.

Significantly, the specific pattern of EU poultry meat exports to sub-Saharan Africa was heavily influenced by the specific poultry sector trade policies pursued by different African governments. A critical issue which has emerged in the last 10 years in regard to the EU-Africa poultry trade has been the willingness of sub-Saharan African governments to use non-tariff trade policy measures to restrict imports of extremely low-priced imports of EU poultry parts in the interests of domestic producers.

The Impact of the Reformed CAP on Sub-Saharan African Countries

CAP reform has greatly enhanced the price competitiveness of the EU agro-food products on international markets. The reforms have also progressively released the EU agro-food sector from WTO constraints on exports, since WTO disciplines limited the use of export refunds. However, there is no longer any need to routinely use export refunds to bridge the gap between EU and world market prices, since this price gap has either been eliminated or is significantly lower. As a consequence, the EU has not paid out export refunds since 2012 (though the EU retains the right to use export refunds as part of its ‘safety net’ policy).

Overall, this has transformed the EU from a net agro-food importer to a net agro-food exporter. Since 2010 the EU has been enjoying a growing agro-trade surplus (increasing from €2,584 billion in 2010 to €18,589 billion in 2013 and to €21.5 billion by 2017).

Overall. CAP reform has not decreased EU agricultural production which has continued to rise in line with productivity gains. What the reforms have done is eliminate 'surpluses', since the target market for EU agricultural production is no longer the EU but global agro-food markets, including those in developing countries.

In addition the shift from price support to direct aid payments to farmers has greatly reduced the value of the trade preferences enjoyed by African countries (particularly for bananas, sugar and beef). This is creating major adjustment problems for traditionally preferred African suppliers, with small holder farmers in these supply chains being particularly severely affected. The plight of these smallholder farmers, who are generally an important target group for EU development assistance programmes, raises important issues of policy coherence.

The Widening and Freezing of EU Agricultural Reforms

Alongside the phased introduction of reforms in the cereals sector, the EU began to gradually and carefully roll out its underlying reforms in other sectors[3] by 2013, with most direct aid payments to EU farmers having been 'decoupled' from production of specific agricultural products. This meant EU farmers received direct aid payment regardless of what was produced or the level of production. However, from 2013, the concerns of some EU member states over the potential loss of national agricultural production capacity has led to demands for greater 'flexibility' in the use of 'coupled' payments under EU rules.

According to OCED analysis, the EU's June 2013 political agreement on CAP reform increased the scope for 'coupled' support in certain particularly

[3] With direct aid payments initially tied to area payments linked to historical levels of production, subsequently 'decoupled' from historical production levels and eventually 'decoupled' from the production of any specific commodity. Farmers were then paid simply for being farmers, with most farmers being free to choose what they produced. However, given concerns over possible loss of production in certain EU member states, some payments remained 'coupled' to production of particular commodities in particular member states.

sensitive commodities[4]. The maintenance of 'coupled' payments has had the most pronounced production effects and trade consequences in the dairy and sugar sectors.

In 2017 the EC agreed to further relax the rules on the provision of 'coupled' payments. This halted and partially reversed the reform process which was initially intended to entirely move over to the deployment of decoupled payments. Concerns expressed by the EC during the 2017 discussions on the further relaxation of EU rules on the deployment of 'coupled' support payments suggested that, in light of the trade consequences of these 'coupled' payment, any further 'flexibilities' could leave the EU vulnerable to challenge in the WTO.

Despite the partial reversion of the earlier commitment to fully moving over to decoupled support payments, by 2018 in all CAP covered products the reform process had largely been completed, with the dairy and sugar sectors being the last sectors to be fully reformed.

Significantly, as a result of these reforms the EU agro-food sector is no longer producing primarily for the domestic EU markets. 'Surpluses' are being stored or exported with public assistance, and it is now increasingly focussed on price competitively serving expanding global markets for agro-food products.

This price competitiveness however, is still strongly influenced by the income transfers farmers receive under the direct aid payment schemes and various other EU agricultural support programmes (from product specific 'coupled' payments, to large scale programmes of 'emergency' intervention buying and storage).

Without these direct aid payments (which include both 'decoupled' and 'coupled' payments) EU farmers would be much more vulnerable to global price volatility (to which EU markets are increasingly exposed), with the prospect of EU agricultural production being undermined by periodic market crisis situations[5]. As it is, these various measures insulate EU farmers from

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[4] See, OECD, 'Support to agriculture rising after hitting historic lows, OECD says', 18 September 2013, http://www.oecd.org/newsroom/support-to-agriculture-rising-after-hitting-historic-lows-oecd-says.htm

[5] For a snapshot review of the EU's use of agricultural support measures on a sector by sector basis in 2011 see: Agritrade, ''The EU's agricultural policy toolbox: A sector-by-sector review', Special report, 13 December 2011, http://agritrade.cta.int/en/Agriculture/Topics/CAP-reform/Special-report-The-EU-s-agricultural-policy-toolbox-A-sector-by-sector-review

the worst effects of price volatility and shift the burden of adjustment to other components of the global agro-food system, most notably in Africa.

The Complementary Trade Dimension to EU Agricultural Policy Reform

Significantly, as the EU agricultural reform process got underway, the European Commission recognised this reform process would be assisted by a trade policy which secured preferential access for EU exporters to growing markets across the globe. Consequently, from 1995, the EC was committed to pursuing a policy of concluding free trade area agreements, as a means of securing preferential access for EU agro-food exporters to overseas markets. This trade policy is seen as an essential complement to the process of agricultural reforms.

However, it should be noted that the domestic tariff dimension of this trade policy involves a carefully managed process of liberalisation of imports of agro-food products in sectors which are considered 'sensitive' within the EU (e.g. the poultry sector).

It is this new EU trade policy which informed the development of EU's trade relations with post-apartheid South Africa, with the European Commission hoping to conclude a free trade agreement with South Africa in the mid-1990s. It was intended that this agreement would then become a model for Post-Lomé trade relations with sub-Saharan African countries.

South Africa's reluctance to conclude an FTA with the EU without a proper assessment of its implications for domestic economic policy ensured this agreement was not concluded until 1999. This was too late for it to become the model for the immediate post-Lomé trade relationship with other African and ACP countries. It nevertheless confirmed the EU's commitment to establishing reciprocal preferential trade arrangements as the long-term basis for future EU-Sub-Saharan Africa trade relations.

This was duly enshrined in the Cotonou Agreement, with the provisions of the Cotonou Agreement providing the basis for the launch of economic partnership agreement negotiations with regional groupings of sub-Saharan African countries. While this process has taken far longer and been far more difficult than the European Commission initially envisaged, during this period the approach was deepened to reach beyond tariff reduction and elimination commitments.

From July 2007, a strong focus emerged not only on securing the reduction and elimination of import tariffs in the agro-food sector, but also the systematic removal of non-tariff barriers to EU agro-food exports. For EU exporters these non-tariff measures were seen as the principal obstacle to the continued expansion of extra-EU agro-food exports. This provides the context in the agro-food sector to the negotiation, conclusion and implementation of EU-Economic Partnership Agreements with sub-Saharan African countries.

The Role of Private Companies as the Transmission Belt for the Trade Effects of EU Policy Choices

It needs to be borne in mind that the production, investment and trade decisions of EU farmer and agro-food sector enterprise are conditioned by the policy framework established by EU agricultural and trade policies. However, the reality is that it is through the trade and investment decisions of EU agro-food sector companies that the commercial consequences of EU agricultural and trade policies make themselves felt in Africa.

For example, in the dairy sector had the EC not removed the ceiling of 110,000 tonnes on the volume of milk powder which could be taken into public storage in 2008 and had the EC not expanded the budget and duration of assistance schemes for private storage of milk powder, it is unlikely EU dairy companies would have:

a) invested as extensively as has been the case in the expansion of milk powder production capacity;
b) undertaken such extensive programmes of research into new milk powder formulations suitable for emerging markets;
c) launched such extensive programmes of joint ventures, acquisitions and direct investment initiatives in sub-Saharan African markets to capitalise on expanding demand for dairy products in Africa.

Equally, had the EU not maintained voluntary coupled payments in the milk sector (for 50% of the EU dairy herd), it is likely the expansion of milk production in more efficient dairy farming zones would have been balanced more fully by declines in milk production in less efficient dairy farming zones of the EU. This would then have resulted in lower overall EU milk production and a reduction in the vast accumulation of EU milk powder stocks (almost 400,000 tonnes) which has overhung global dairy markets in recent years and which has served to prolong the depression of global milk powder prices.

Over the past 10 years these sustained low global milk powder prices have transformed the economic context for the successful implementation of programmes for the development of local milk-to-dairy supply chains in Africa.

Looking beyond the dairy sector in the poultry meat sector, if the EU did not maintain such a strictly controlled import regime for poultry meat the expansion of domestic EU poultry meat production in response to rising EU consumer demand would have been less pronounced. Put simply, without strict import control on poultry meat which the EU maintains in place, more of the growth in EU consumption which has occurred in the past 10 years would have been met by imports from more price competitive Third country poultry meat exporting nations. As it is, over the past ten years, while EU poultry meat consumption has increased 23.5%, EU production has increased 29.3%, with the share of imports actually falling.

Average Poultry Production Costs per kg: EU and International Competitors

EU	Brazil	Ukraine	USA	Argentina	Thailand
€152.00/kg	€106.40/kg	€112.48/kg	€123.12/kg	€123.12/kg	€126.16/kg

Source: Wageningen Economic Research, 'Competitiveness of the EU poultry meat sector, base year 2015', January 2017

The trade protection which EU policies provide poultry producers has not only ensured EU producers have been able to fully capitalise on growing domestic EU demand for poultry meat, but has also provided the foundations for an almost 65% increase in EU poultry meat exports in the past 10 years.

This expansion of EU exports has occurred despite the lower cost structure which third country poultry meat producers enjoy and the price disadvantages EU producers face. Had EU poultry meat production expanded less than was in fact the case, this would have generated a lower volume of poultry parts, poultry parts which have increasingly been disposed of through exports to African markets, at prices which bear no correlation to the underlying costs of poultry production in the EU.

EU Poultry Meat Consumption, Production and Imports, 2009-2017 (thousand tonnes c.w.e.)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	% change 09-17
Consumption	11,349	11,584	11,771	11,904	12,214	12,264	12,721	13,266	13,866	14,013	+23.5%
Production	11,380	11,660	12,134	12,371	12,706	12,793	13,271	13,790	14,477	14,669	+29.3%
EU Imports	873	860	797	832	842	793	823	856	884	831	-4.8%
Imp.% Cons	7.7%	7.4%	6.8%	7.0%	6.9%	6.5%	6.5%	6.5%	6.4%	5.9%	
EU exports	903	937	1,159	1,299	1,334	1,322	1,372	1,381	1,495	1,486	+64.6%

EU-Africa EPA Negotiations and the Africa CFTA Process

The Current Situation on EPA Tariff Elimination Commitments

- The Limited Scope of African Engagement with the EPA Process

While at the outset the process of EU-Africa EPA negotiations embraced all sub-Saharan African countries and involved engagements with all sub-Saharan African governments, as the negotiations progressed so the number of African governments actively involved in an EPA process declined. This has given rise to a situation where:

- governments of 15 sub-Saharan African countries have fully signed up to an EPA process, with these countries accounting for 24% of the population of sub-Saharan Africa;
- governments of 15 sub-Saharan African countries are engaged with an on-going EPA process, with these countries accounting for 20% of the population of sub-Saharan Africa;
- governments of 4 sub-Saharan African countries are ambiguously engaged with an EPA process, with these countries accounting for 25% of the population of sub-Saharan Africa; and
- governments of 13 sub-Saharan African countries are no longer engaged with an EPA process, with these countries accounting for 31% of the population of sub-Saharan Africa.

Population of Sub-Saharan African Countries and Engagement with EPA Processes

Fully Signed EPA participating SSA Countries		**SSA Countries Engaged with Ongoing EPA Processes**	
South Africa	54,957,000	Benin	10,782,000
Botswana	2,176,000	Burkina Faso	18,450,000
Lesotho	1,908,000	Guinea	10,935,000
Namibia	2,281,000	Mali	17,796,000
Swaziland	1,119,000	Niger	18,880,000
Mozambique	28,013,000	Senegal	14,150,000
Mauritius	1,263,000	Togo	7,065,000
Seychelles	97,000	Cape Verde	525,000
Zimbabwe	13,503,000	Guinea Bissau	1,788,000
Madagascar	23,043,000	Sierra Leone	6,513,000
Comoros	783,000	Liberia	4,046,000
Cameroon	21,918,000	Gambia	2,022,000
Ghana	27,414,000	Mauritania	3,632,000
Cote d'Ivoire	23,126,000	Uganda,	37,102,000
Kenya	45,533,000	Rwanda,	11,324,000
Sub-Total	**247,134,000**	**Sub-Total**	**210,543,000**

Ambiguous Engagement with EPA Process		**Non-EPA Participating Countries**	
		Angola	25,326,000
Nigeria	181,563,000	Chad	13,675,000
Tanzania	51,046,000	CAR	4,659,080
Burundi	9,824,000	DRC	77,267,000
South Sudan	12,519,000	Djibouti	961,000
		Eritrea	6,895,000
		Ethiopia	103,764,000
		Equa. Guinea	1,996,000
		Malawi	16,307,000
		Sao Tome	194,000
		Somalia	14,317,996
		Sudan	40,235,000
		Zambia	15,474,000
Sub-Total	**254,952,000**	**Sub-Total**	**321,071,076**

Once moves towards an African Continental Free Trade Area (AfCFTA) enter their operational phase this will raise the issue of the implications of existing EPA commitments for the trade position of those African countries whose governments have chosen not to engage with the EPA process or which continue to have major reservations over completing the regional EPA negotiation process. This includes some major players on the African continent such as Ethiopia, Nigeria and Tanzania. In terms of the AfCFTA process, this has both economic and political implications.

- An Uneven Process of Tariff Liberalisation Under African EPAs

As the foregoing section implies the EPA negotiation process has been fraught with difficulties and has proceeded unevenly across the continent.

The decision to go for sub-regional negotiating frameworks was in part a reflection of the existence of an EU FTA with Africa's largest economy, South Africa (concluded in 1999), which pre-dated the launch of the EPA negotiations with ACP countries (2002). This created a situation where from the onset, the process of liberalisation of tariffs on sub-Saharan African imports from the EU would take place within very different time frames.

- South Africa's Extensive Agro-Food Sector Tariff Liberalisation

South Africa's tariff liberalisation process began in 2000 and was largely completed by 2010, although some sensitive products were back-loaded until 2012. In the agro-food sector, by 2012, South Africa had eliminated tariffs on 83% of the agricultural products exported by the EU to the SACU market, while the EU agreed to eliminate tariffs on only about 61% of South Africa's agricultural exports to the EU (with quota restricted duty free access being granted on a further 13% of traded agricultural products).

This imbalance in agro-food sector tariff concessions was in part rectified by additional EU tariff reduction commitments as part of the 2016 SADC-EU EPA agreement which superseded the South Africa-EU Trade, Development and Cooperation Agreement (TDCA). However, it should also be noted that other EU products were also added to the tariff elimination commitments made by South Africa as part of the SADC EPA process.

The extensive agro-food sector product coverage under the EU-South Africa Trade Agreement was always going to give rise to a wide divergence in the range of agro-food products subject to tariff elimination commitments by sub-Saharan African governments and the speed at which tariffs on imports from the EU were eliminated.

At the other end of the liberalisation spectrum from South Africa and the SADC EPA are the tariff elimination commitments made by the EAC.

- The EAC's Extended Timeframe for Liberalisation and Extensive Exclusions

Under the EAC agreement, the initial commitments relate solely to products which are already zero rated, no actual tariff reductions were required until five years after the entry into force of the agreement, with the full schedule of tariff reduction commitments only being completed 23 years after the entry into force of the agreement.

In addition, within the EAC agreement cuts on the highest tariffs applied are back-loaded to the end of the process and there are also extensive product exclusions. These exclusions include agricultural products falling under the following customs classifications: live animals (01); meat and edible offal (02); fish (03); dairy products (04); live trees plants and cut flowers (06); edible vegetables (07); edible fruits (08); coffee tea etc. (09); cereals (10); products of the milling industry (11); vegetable plaiting materials (14), animal and vegetable fats (15); preparation of meat or fish (16); sugars and confectionary (17); cocoa and cocoa preparations (18); preparations of cereals (19); preparations of vegetables (20); miscellaneous edible preparations (21); beverages, spirits & vinegar (22); residues (23)' tobacco (24). The numbers 5, 12 and 13 were omitted. Is it deliberate please?

These exclusions cover products in almost all categories of agricultural imports. Together these products totalled 24.7% of the value of EAC imports from the EU during the reference period.

- Other EPAs Occupy The Middle Ground

In contrast, the initially agreed tariff reduction commitments under the Cote d'Ivoire, Ghana and Mauritius agreements have shorter implementation periods, with tariff reductions starting within 2 years of the entry into force of the agreement. This gives rise to a situation where on the basis of the initial tariff reduction commitments:

- Cote d'Ivoire would have completely removed tariffs on 60% of imports from the EU 2 years before Kenya was scheduled to commence any tariff reductions;
- Ghana would have completely liberalised 71% of imports from the EU by the time Kenya was scheduled to be 3 years into the implementation of the 23-year process of tariff reductions;
- Mauritius would have completely liberalised 53.6% of imports from the EU by the time Kenya was scheduled to be 3 years into the implementation of the 23 year process of tariff reductions.

When the timetables for tariff eliminations on individual products are considered there are even greater variations, with this variation extending to the products excluded from any tariff elimination commitments by some African governments.

Of these difference in tariff elimination commitments on the basis of geographical proximity and agricultural potential, the most significant would be those between Kenya and Mauritius. Mauritius has the foundations for becoming a value added agro-food sector food processing hub, based on the working of world market prices raw materials, with value added agro-food products being exported to regional markets and beyond (following the model of the UAE).

- But Then There Is the Implementation Issue

The above picture, however, represents the initially scheduled tariff reduction commitments. The process of ratification and entry into force of the various EPAs has been delayed, with many of these tariff elimination commitments only recently having entered into force (e.g. in 2016) or having not yet entered into force (see annex I on 'The State of Play in EU-Africa EPAs').

In addition, overhanging the whole EPA implementation process in Africa is the reality of South Africa's extensive initial tariff reduction and elimination commitments on imports from the EU, which had been fully implemented before the tariff reductions under any other Africa EPA agreements entered into force. Given South Africa's role as an entry point to Southern and Eastern Africa for EU goods and investment, this is a particularly significant reality[7].

Commitments on Non-Tariff Measures

Given the divergent tariff liberalisation commitments contained in the various sub-Saharan African EPAs, there is a remarkable consistency in the commitments made by signatory African governments in regard to the future use of non-tariff trade policy tools. The most significant of these commitments relate to:

- provisions dealing with tariff standstill commitments;
- provisions on the 'Prohibition of quantitative restrictions'
- provisions on 'National treatment on internal taxation and regulation'.

- Implications of Standstill Commitments

The provisions related to tariff standstill commitments state 'no new customs duties shall be introduced, nor shall those already applied be increased in trade between the Parties as from the entry into force of this Agreement'. In the case of the EU-South Africa agreement, this meant when tariffs on imports of poultry meat were increased within WTO bound ceilings, these tariff increases could only be applied to imports from non-EU sources of supply. EU suppliers continued to benefit from negotiated tariff reductions in a context of duty increases on imports from all other sources.

These types of provisions in the various sub-Saharan African EPAs effectively lock-in as the maximum level applicable to imports from the EU which the tariffs applied at the date of entry into force of the agreement. This effectively means that while tariff can be raised within 'bound' WTO ceiling on imports from non-EU sources of supply ,no sub-Saharan African EPA signatory government can use the 'water' in their 'bound' tariff schedules to increase duties on imports from the EU once EPAs enter into force. This effectively restricts the utility of tariffs as a trade policy tool.

When South Africa increased its applied tariffs on poultry meat imports within WTO 'bound' ceilings, in October 2013, all this did was divert importers towards EU sources of supply since EU suppliers were not subject

[7] For more details on the state of EPA implementation and Issues arising see Annex I

to the increase in tariffs.

With subsequent safeguard duties (July 2014) and anti-dumping duties permitted under the EU-South Africa trade agreement proving singularly ineffective, imports from the EU only fell after December 2016 when the South Africa government introduced a ban on imports of poultry meat from various EU member states on SPS grounds (linked to avian influenza outbreaks in the EU).

EU poultry meat exports to South Africa

	2012	2013	2014	2015	2016	2017
Tonnage South Africa	131,832	158,481	203,414	213,413	259,810	74,514
Total extra-EU exports	1,274,794	1,268,956	1,330,487	1,330,967	1,442,683	1,477,588
% total extra-EU	10.3%	12.5%	15.3%	16.0%	18.0%	5.0%

Source: EC, Market Access Data Base. http://madb.europa.eu/madb/statistical_form.htm

- Implications of 'Prohibition of Quantitative Restrictions' Provisions

Under most sub-Saharan African EPAs, the provisions related to the 'prohibition of quantitative restrictions' commit signatory African governments to eliminating the use of quantitative restrictions on imports from the EU, from the date of 'entry into force' of the agreements and to introducing no new quantitative restriction on imports from the EU. Given the extent to which quantitative restrictions on sensitive agricultural products are applied by sub-Saharan African governments, these provisions if enforced could seriously restrict the existing use of such policy tools in support of agricultural sector development initiatives.

The only exception to these commitments ironically is under the SADC-EU EPA where this issue was fiercely contested. Under the SADC-EU agreement, these provisions declare: 'The Parties may apply quantitative restrictions provided such restrictions are applied in conformity with the WTO Agreement'. This wording is seen as sufficiently vague, to allow governments such as the Namibia government to apply their existing quantitative controls on agricultural imports as and when required in support of the development of production of cereals, horticulture products, poultry meat and dairy products.

- Implications of 'National Treatment' Provisions

In terms of the national treatment the main features of these provisions relate to a prohibition on imports from the EU being subject to 'internal taxes or other internal charges of any kind in excess of those applied, directly or indirectly, to like national products,' and a commitment to ensuring goods imported from the EU are accorded 'treatment no less favourable than that accorded to like national products in respect of all laws, regulations and requirements affecting their internal sale, offering for sale, purchase, transportation, distribution or use'.

This provision restricts the ability of African government to legislate local procurement obligations for private sector players, such as supermarkets and wholesalers, to oblige them to source a percentage of supplies from local producers. It also prevents the granting of excise and other forms of tax rebates only to local producers

The Value of EPA Safeguard Provisions

While there are some differences in the various safeguard provisions included in the EPA agreements, how significant these differences will prove to be is unclear. The experience in using anti-dumping and safeguard provisions in the poultry meat sector under the EU-South Africa agreement suggests these provisions afford little or no effective protection against low priced imports from the EU. This arises from the level of tariff increases allowed on African markets. There is little relationship between the prices of EU poultry parts and domestic EU poultry production costs, with this EU export trade continuing so long as the price received exceeds the costs of alternative disposal, minus transportation costs and other charges.

- The Africa CFTA and EPA Provisions on the Use of Non-Tariff Trade Policy Tools

Of these commitments on the use of non-tariff policy tools the most serious from the perspective of the creation of an African Continental Free Trade Area (AfCFA) are those prohibiting the use of quantitative controls on imports from the EU. This needs to be seen in a context where it is generally agreed that because of the sensitivity of agriculture and food issues at the national level, moves towards free trade in a AfCFTA context will require a system of managed liberalisation of intra-African trade in agro-food products. This is likely to require the extensive use of tariff rate quotas within the trade liberalisation process. The negotiation of such TRQ based trade liberalisation arrangements will be greatly complicated if the use of quantitative controls on imports from the EU is prohibited.

Given the long implementation timeframes (beyond the SADC-EU EPA), it is likely to be the EPA provisions on the use of non-tariff measures which will first make themselves felt on EU-Africa agro-food sector trade. This needs to be seen in a context where from the perspective of EU agro-food exporters, it is the use of non-tariff trade policy measures which are now seen as the main obstacles to the further expansion of EU agro-food exports to Sub-Saharan Africa.

Complications in the Agro-Food Sector within the African CFTA Process

The Problems Posed by Smuggling for Trade Integration:

- The EU Poultry Meat Trade with West Africa

The first point to note is that as a free trade area the African Continental Free Trade Area does not require participating countries to maintain a common external tariff. At a formal level the divergent national treatment of imports from the EU need not necessarily have a bearing on moves towards the establishment of an African Continent FTA.

However, in the agro-food sector across Africa, we already find that EU exporters have developed strategies for avoiding high tariff points of landing by serving markets through neighbouring countries. The most dramatic example in this regard is the EU trade in poultry meat to Nigeria, which is exported via Benin.

It is estimated that over 90% of EU poultry meat exports to Benin are destined for the Nigerian market. This situation has arisen in response to the strict Nigerian controls on imports of poultry meat via official ports of entry. This practice has seen Benin emerge as a leading destination for EU poultry exports. The sole purpose of this trade is to circumvent Nigerian poultry sector import controls. This trade takes place despite the health hazards it poses for Nigerian consumers.

From 2015, the Nigerian authorities endeavoured to clamp down on cross border smuggling of poultry meat, rice and second hand cars from Benin.. This had a significant impact on EU poultry meat export volumes to Benin, which fell by 38.2% between 2014 and 2017, with European exports of poultry meat to Benin falling a further 21% in the first 5 months of 2018 compared to the corresponding period in 2017.

EU Poultry Meat exports to Benin, Nigeria, Ghana and Total Extra-EU Exports (0207) tonnes

	2010	2011	2012	2013	2014	2015	2016	2017
Total Extra-EU Exports	1,124,301	1,266,244	1,275,365	1,268,967	1,335,732	1,350,002	1,506,771	1,496,561
Benin	113,662	124,014	137,122	137,187	163,553	138,557	119,732	105,945
Benin % share	10.1%	9.8%	10.8%	10.8%	12.2%	10.3%	7.9%	7.3%
Ghana	40,504	66,868	67,132	72,986	56,672	79,866	114,797	146,711
Ghana % share	3.6%	5.3%	5.3%	5.8%	4.2%	5.9%	7.6%	9.7%
Nigeria	3,462	998	79	132	441	129	299	211

Source: EC, Market Access Data Base, http://madb.europa.eu/madb/statistical_form.htm

However, the implementation of these anti-smuggling measures can undermine nascent intra-regional trade liberalisation processes in the agro-food sector. This is particularly the case given the political sensitivity of food production and affordability.

It is noteworthy that over the same period, EU exporters began to shift the focus of their West African poultry meat export trade to the Ghanaian market, where export volumes increased by 158.9% between 2014 and 2017. This followed the removal of a short-lived introduction of an import licensing system for poultry meat introduced by the Government of Ghana in response to pressure from the country's remaining poultry producers. While this initially caused a decline in EU poultry meat exports to Ghana (down 22.4% between 2013 and 2015), in the face of complaints from traders and shortages of poultry meat at peak times of consumer demand these measures were quietly dropped.

- Emerging Smuggling Pressures in Southern Africa

Similar problems of the smuggling of poultry meat have reportedly arisen in Mozambique. This needs to be seen in a context where the Government of Mozambique maintained in place a ban on imports of poultry meat introduced in 2004 in response to the global Avian Influenza outbreaks. These import restrictions have greatly stimulated not only local poultry production and processing but also more importantly, from a rural development perspective, the production of grain for use in poultry feed (see box below).

EU Poultry Meat exports to South Africa and Mozambique and Total Extra-EU Exports (0207) tonnes

	2010	2011	2012	2013	2014	2015	2016	2017
Total Extra-EU Exports	1,124,301	1,266,244	1,275,365	1,268,967	1,335,732	1,350,002	1,506,771	1,496,561
Mozambique	232	121	246	717	883	1,196	1,915	3,016
Republic South Africa	16,152	89,620	130,017	151,075	196,295	211,310	272,756	77,235
South Africa % share EU exports	1.4%	7.0%	10.2%	11.9%	14.7%	15.7%	18.1%	5.2%

Source: EC, Market Access Data Base, http://madb.europa.eu/madb/statistical_form.htm

However, the massive expansion of EU exports of frozen poultry parts to South Africa[8] has increased smuggling pressures on the Mozambican poultry sector. These smuggling pressures only began to ease from December 2016, when the South African government introduced Avian Influenza based bans on imports of poultry meat from a range of EU member states. This saw a dramatic reduction in the volume of poultry meat imports from the EU into South Africa and to a limited extent an increase in direct EU poultry meat exports to Mozambique.

Job Creation Along Locally Integrated Supply Chains: The Early Experience of the Poultry Sector in Mozambique

The development of domestic production of poultry meat to meet rising demand for cheap protein can create not only job opportunities on poultry farms and poultry meat processing facilities but also enormous new income earning opportunities for rural grain producers providing inputs to local poultry feed production. Developments in Mozambique following the introduction of restrictions on imports of poultry meat are illustrative in this regard. In 2004, on the basis of Avian Influenza outbreaks, the government of Mozambique introduced restrictions on poultry meat imports. Within 6 years this had created 3,000 new jobs in poultry processing, stimulated the establishment of 5,000 new smallholder poultry producers, and generated new income earning opportunities for more than 64,800 smallholder grain producers

[8] This expansion was closely linked to the implementation of trade policy measures, namely: the removal of import tariffs on poultry meat under the EU-South Africa trade agreement and the implementation of 'tariff standstill' provisions.

who supply feed to local poultry producers. This saw the share of imports in poultry meat consumption fall from 67% in 2005 to 25% in 2011, with minimal official imports subsequently and gave rise to a phenomenal expansion of local poultry meat production, with considerable rural development benefits being generated.

This expansion of the Mozambican poultry sector benefited from the maintenance of import controls initially introduced in response to Avian Flu outbreaks. However, in recent years, smuggling of frozen poultry meat from neighbouring South Africa into Mozambique has increased. The Mozambican poultry industry believes the maintenance of import controls is essential to the future development of the sector.

There have also been reports of poultry meat smuggling into neighbouring Swaziland, where despite common membership of the Southern African Customs Union alongside South Africa, quantitative restrictions on poultry meat imports from South Africa are nevertheless applied.

- Beyond Poultry Meat Smuggling: The Investment Effects of Differential Tariffs

While poultry meat is the most prominent current example of smuggling of EU originating food products aimed at exploiting the different tariffs applied to imports in neighbouring countries, in earlier periods similar problems of smuggling of EU milk powders across African borders existed. The volume of these smuggling activities of milk powder into South Africa in the mid-1990s was such that it undermined domestic dairy prices and facilitated the purchase of struggling South African dairy companies by EU companies looking to expand their presence in Southern Africa.

The investment effects, which smuggling activities based on the different tariffs applied to imports from the EU by neighbouring countries can have, is an important long term effect which can have significant consequences for the pattern of structural development of the affected African agricultural sectors.

It is against this background that the application of different tariffs on imports from the EU by neighbouring African countries could come to cause problems for the implementation of the AfCFTA project.

Beyond this smuggling dimension the application of different tariffs on agro-food imports from the EU gives rise to important rules of origin issues under the AfCFTA.

Rules of Origin Problems in the Agro-Food Sector

- The Nature of the Rules of Origin Challenge

The aim of rules of origin is to prevent countries which are not a party to the agreement from benefitting from the tariff preferences granted, simply by routing exports through a party to the agreement with minimal local processing taking place prior to re-export. Rules of origin therefore define:

- where agricultural inputs used in a final value added agro-food product need to have been produced in one of the parties to the agreement in order for the final product to be granted tariff preferences under a trade agreement;
- the nature of the processing activities which have to be undertaken in order to bestow on non-originating inputs 'originating' status for the purpose of granting tariff preferences under a trade agreement.

In the context of the design and implementation of the AfCFTA and the different tariff liberalisation commitments which have been made to the EU by African governments this is particularly important in light of:

a) the priority accorded expanding agro-food exports under current EU trade and agricultural policies;
b) the enormous potential for expansion of EU agro-food exports to Africa given rapidly expanding African demand for safer higher quality food;
c) recent trends in EU agro-food exports to sub-Saharan African countries where EPA processes have been completed or are underway (see annex II 'Recent Trends in EU Agro-food Exports to Sub-Saharan African Regions Where EPA Processes Are In Place or Ongoing' for details);
d) the scope for using imports of cheap EU sourced bulk inputs produced as a result of the implementation of EU agricultural support measures in the production of value-added food products in African countries for sale on domestic and regional markets.

This needs to be seen in a context where rising African demand for safer higher quality food potentially creates opportunities for the increasingly integrated development of African agro-food supply chains serving growing domestic and regional markets.

Moves towards the creation of an integrated African market can be seen as an important means of supporting the structural development of African agro-food sectors, given that it creates the potential for economies of scale in value added agro-food sector production in Africa. This in turn potentially provides an important stimulus for investment in more productive agricultural systems in Africa in ways which economically invigorate rural areas.

Rising African food demand thus has the potential to create many jobs, not only in the food processing sector but also through the development of locally integrated supply chains in the agricultural sector and the stimulus this gives to the rural economy in general.

However in the short term, it appears the rapid growth in African food demand is fuelling an expansion of imports of EU agro-food products. This consists of both consumer ready products (e.g. poultry parts) and inputs for the local production of value added products (e.g. bespoke milk powders). It is in regard to this trade in agricultural inputs for use in local value added product manufacturing that important rules of origin issues arise in the context of the design of the AfCFTA.

- The Potential Policy Dilemmas Faced by Neighbouring African Governments

This trade in agricultural inputs into value added food product manufacturing has the potential to create policy dilemmas for African governments. EU exports of inputs for the local production of value-added products tend to be concentrated on coastal states. As a consequence, in some sectors in some regions, a situation is emerging where value added agro-food production is being developed in coastal states which is almost exclusively based on international sourcing of imports (e.g. production of dairy products from imported milk powder, with dairy sector development becoming entirely delinked from local milk production).

This is leading to a disarticulation between national and regional agricultural production and the development of value-added food product manufacturing. This trade in agricultural inputs often places a strong emphasis on the higher quality and greater food safety of these imported inputs, with the final product offered for sale being manufactured to EU or developed world standards. This issue would thus become closely linked to the nature of the regional food product standards agreed within any AfCFTA.

This trend can be exacerbated where trade in agricultural inputs takes place into the coastal country on a duty-free basis, but neighbouring land-locked countries still apply import duties in an effort to protect local agricultural producers. This can create some difficulties for the implementation of regional trade integration initiatives

- The Rules of Origin Challenge: Growing EU Trade and Investment Engagement in the African Dairy Sector

This use of imported inputs as the primary feedstock for the production of value added food products is most developed in the West African dairy sector, where a range of EU dairy companies have developed trade and investment strategies to capitalise on growing demand for dairy products in West Africa.

From 2013, with the abolition of EU milk production quotas scheduled for April 2015, a range of EU dairy companies began to acquire local dairy companies or created joint ventures with food distribution companies in Africa to expand the sale of consumer ready dairy products derived from EU sourced milk powders[9]. A notable feature of most (but not all) of these investments was that they were largely unconnected to local milk production.

Indeed, in a number of instances (e.g. for Arla) the pattern of investment was designed to maximise the value obtained by the company from the sale of consumer ready products produced from exports of the companies' milk powders[10]. Often this involves the targeting of regional markets. Thus in September 2013, Arla announced the formation of a joint venture in Cote d'Ivoire with Mata Holdings, for the packaging and sale of milk powder.

[9] See annex III 'Recent Technical Innovations and EU Corporate Investment in African Dairy Sector Development' for the details of investments made by individual EU dairy companies.

[10] While overtime in some cases this is evolving into the export of branded consumer ready dairy products which have strong brand recognition amongst higher income African consumers, the primary concern from a rules of origin perspective is the use of imported milk powders in value added products for export to regional markets and the repackaging of bulk dairy imports into consumer ready products (e.g. butter repackaging).

This was seen as providing ‘a gateway to neighbouring countries such as Ghana’. In September 2015, two further joint venture initiatives for the packaging and sale of milk powder products were announced in Senegal and Nigeria, in both instances linking with partners with experience in the distribution of food products and no involvement in local milk-to-dairy supply chains (in Nigeria the Tolaram Group and Senegalese company Attieh Group).

These investments were based on the mobile milk powder packaging facility Arla had developed which was formally launched in July 2013. These facilities provide 90 square meters of processing space, powered by 96 solar panels located on the roof. These container size facilities can process one tonne of milk powder per day into 25-gram consumer ready sachets based on 12 hours of production time. For marketing purposes, emphasis is placed on the application of hygienic developed country standards in the operation of the milk powder repackaging facility. Since these units are mobile and can easily be relocated, this greatly reduces the risks associated with investing in value added processing in Africa.

In August 2017, Arla announced the establishment of a fully owned subsidiary re-packaging facility in Tema Industrial Park, Accra, which would also handle the sales and marketing of Arla branded products in association with a local ‘experienced partner with a strong distribution network in the country’.

It is noteworthy that none of Arla’s partners in these joint venture initiatives have any links to local milk production or dairy manufacturing activities using locally produced milk. Nevertheless, Arla is looking to market products from these facilities across regional markets, under any regional tariff elimination schemes which may be set in place for dairy products.

Similarly, in October 2013, Danone acquired a majority interest in the West African dairy products company Fan Milk International (FMI), with the aim of building on FMI’s proven system of serving and developing markets for budget conscious consumers and those without access to refrigeration in Ghana, Nigeria, Togo, Burkina Faso, Cote d’Ivoire and Benin. At the time of this acquisition, FMI had reported sales of €120 million, with production being based exclusively on imported milk powders. This represented a sales level in excess of Danone’s dairy sector turnover in Spain, Mexico, Argentina, UK and Brazil. Thus, this represents a significant level of engagement by

Danone in the West African dairy sector.

Beyond West Africa in July 2014, Danone entered into a Joint Venture with Kenya's leading diary company Brookside Dairies. This was seen as a gateway to the East African region. In May 2015 this saw Brookside buy the dairy business of Sameer Agricultural and Livestock in Uganda. In May 2017 this also saw Danone taking over Brookside Dairy's shareholding in its Tanzanian business[11] through Danone's 100% owned Dubai registered Brookside Holdings Limited.

Since Danone entered into a joint venture with Brookside Dairy, EU exports of milk powder (0402) to Kenya, Tanzania and Uganda have increased 235%, while exports of butter (0405) have increased 102% and exports of cheese (0406) have increased almost 67%. Perhaps more significantly exports of milk powder to Kenya have seen a 100-fold increase.

EU Dairy Exports to Kenya, Tanzania and Uganda 2013-2017 (tonnes)

	Kenya		Tanzania		Uganda		Total KTU		% change
	2013	2017	2013	2017	2013	2017	2013	2017	
0401 Milk & cream not concentrated	58	17	132	118	7	23	197	158	-19.8%
0402 Milk & cream concentrated	40	4,853	1,566	584	36	64	1,642	5,501	+235.0%
0404 Whey	58	126	6	1	48	0	112	127	+13.4%
0405 Butter	31	12	66	192	11	14	108	218	+101.9%
0406 Cheese	126	155	90	201	36	64	252	420	+66.7%

This needs to be seen in the context of a vibrant smallholder dairy sector in East Africa. The future trajectory of the East African smallholder dairy sector will be strongly influenced by how this EU corporate engagement in the East African diary sector evolves. Potentially, how regional dairy standards are elaborated could have an important bearing on developments in this regard.

The Dutch dairy company FrieslandCampina meanwhile has been expanding its engagement in Nigeria through FrieslandCampina WAMCO (FCW). While recently there has been a focus on the establishment of milk

[11] Formerly the state owned Tanzania Dairies

collection centres and farmer training to expand local milk procurement, , local milk purchases continue to be dwarfed by the scale of milk powder imports from the EU. Indeed, product development, such as the introduction of 'Peak Fat Filled Milk' (which targets cholesterol conscious consumers), would appear to further lockin the import dependent dairy sector development model which dominates West Africa.

Indeed, FrieslandCampina WAMCO's import dependence appears to be increasing. The value-added statement in the 2017 annual report revealed fully 85.7% of materials and services procured were imported. This compares to 68.4% in 2016.

Another major EU dairy sector player in West Africa is the Irish company Ornua (formerly the Irish Dairy Board). In December 2015, Ornua opened a new packing facility in Nigeria in a joint venture with a local distribution company, Fareast Mercantile Distribution Company, with products being marketed under the well-known international brand Kerrygold. This Nigerian facility repackages imports of Irish milk powders into small sachets, pouches or larger tins for distribution through small scale retail outlets.

While initially it was announced these products would be exclusively distributed in Nigeria, Ornua's 2016 annual report (released in March 2017) announced a detailed compliance process had been completed 'enabling exports to West and Central African markets' from the company's Nigeria facilities.

Elsewhere in Africa, Ornua claims 'each individual African market has its own packing facility where powder is packed into consumer sachets and retail packs'. This it is maintained allows Ornua to 'respond quickly to changes in pack size and pricing – something that is impossible to do unless you are in market".

In some regions such as Southern Africa, both European owned and local South African companies have developed regional market development strategies based on using low priced imported inputs in the production of mass market focussed value added dairy products. The sale of these products is often closely linked to the regional expansion of South African supermarket chains, although this is not exclusively the case.

However, in the case of South Africa, this type of trade reaches beyond milk powders. In the case of South Africa, it also includes butter, cheese and a growing volume of liquid milk. In some cases, this consists of bulk imports which are then repacked into consumer ready sizes and traded as SADC originating products under regional preferential trading arrangements, despite the fact that these products do not originate in the SADC. This is particularly the case for butter, where the tariff reductions agreed under the 1999 EU-South Africa trade agreement can be exploited.

With EU milk production quota abolition pending and a rapid expansion of milk production projected in Ireland, in August 2014 this saw Ornua establish a subsidiary in South Africa (Port Elizabeth) as a platform for exports to markets across Africa. The Ornua office has packing, storage and distribution partners throughout the region, targeting not only SACU markets but markets as far afield as Malawi, Angola and the DRC. This trade appears to be taking advantage of any tariff preferences granted under regional trade agreements.

This establishment of Ornua's Port Elizabeth office appears to have been a major contributing factor in the more than 7-fold increase in EU butter exports to South Africa. This occurred between 2013 and 2017, with Ireland accounting for 62% of EU butter exports in 2017, having seen particularly strong growth in exports in 2016 and 2017 as the operations of the newly established Ornua office gained momentum and the expansion of Irish milk production took off following the April 2015 abolition of EU milk production quotas.

Trends in EU Dairy Exports to South Africa:
The Role of Trade Agreements, EU Policy Reforms and Market Shocks

The value of EU dairy exports to South Africa increased more than 3-fold between 2010 and 2017, from €36 million to €116 million. In tonnage terms the increase in EU exports was even more dramatic, increasing more than 5-fold from 12,446 tonnes to 70,520 tonnes[12]. This period of expansion coincided with:

- the completion in 2012 of the process of elimination of tariffs on imports from the EU under the 1999 South Africa-EU trade agreement;
- the initiation of renewed EU export drives following the 2007/08 EU milk market crisis;

[12] Significantly this does not include the expansion of EU exports of fat filled milk powders the customs classification of which for export purposes is vague (sometimes classified as a sub-category of heading 190190 and sometimes found under heading 2106).

- the development and implementation of trade and investment initiatives by EU dairy companies targeting African markets from 2013 onwards;
- the introduction of the Russian import embargo on EU agro-food exports in August 2014; and
- the long-signalled phasing out of EU milk production quotas in April 2015.

It also saw a period of technological innovation which has lengthened the shelf life of long-life milk.??? This has given rise to an unprecedented expansion of EU exports of liquid milk to South Africa. By 2017, export volumes of liquid milk to South Africa had reached 37,623 tonnes.

Similarly, while at the time of the signing of the EU-South Africa trade agreement, innovations in milk powder production which allowed the manufacturing of bespoke milk powders for particular purposes and particular markets, were still in their infancy, by 2017 these innovations were well established, with the EU becoming by far the largest exporter of 'fat filled milk powders' in the world.

The South African dairy industry appears to have adjusted to these increased EU dairy exports by integrating them into their own regional export strategies, with neighbouring governments complaining about the 'dumping' of South African dairy products on their markets in ways which undermine local dairy production.

EU Dairy Exports to South Africa 2010-2017 (million Euro)

	% 2010	2010	2011	2012	2013	2014	2015	2016	2017	% 2017
Dairy Exports (04)		**36.379**	**55.366**	**82.936**	**61.194**	**84.471**	**90.762**	**79.307**	**116.172**	
0401 Milk & cream not concentrated	00.23%	0.084	0.544	1.703	0.409	0.353	9.253	5.739	18.117	15.62%
0402 Milk & cream concentrated	16.14%	5.811	15.667	24.291	14.235	26.895	19.317	14.234	20.239	17.45%
0403 Buttermilk, yogurt etc	07.08%	2.547	2.920	3.346	3.753	5.053	3.524	3.705	5.503	04.74%
0404 Whey	21.63%	7.787	13.017	11.064	14.203	13.357	13.197	9.130	11.869	10.23%
0405 Butter	09.88%	3.556	2.760	4.693	2.253	3.950	6.018	8.078	16.176	13.94%
0406 Cheese	45.64%	16.431	19.915	37.097	25.830	34.500	38.874	37.971	42.576	36.7%

Source: EC Market Access Data Base http://madb.europa.eu/madb/statistical_form.htm

African governments will have to remain alert to these trends and developments as they move ahead with the implementation of both their EPA commitments and the operationalisation of existing commitments to trade liberalisation under the African Continental FTA.

- Policy Implications within the AfCFTA Process

These trends in the trade and investment strategies of EU dairy companies raise important issues for the development of local Sub-Saharan Africa milk-to-dairy supply chains; issues which will become even more acute in the context of the creation of an African continental FTA and the implementation of different EPA tariff elimination commitments.

With sub-Saharan African governments having made different tariff elimination commitments under the various EPA on dairy products and inputs, this potentially raises important rules of origin questions, since the basic ingredients used in the production of regionally traded dairy products and even the product itself in the case of butter, may not have originated in the African country from which they are exported with the benefit of ant CFTA tariff preferences.

This can serve to undermine national efforts to develop local milk-to-dairy supply chains. This is likely to give rise to difficult choices for African governments which face different opportunities for the sustainable development of milk-to-dairy supply chains.

In West Africa, many governments have welcomed European corporate investment which expands local production of dairy products based on the large-scale import of milk powders. This is particularly the case where this gives rise to foreign exchange earnings from exports to neighbouring countries. The governments in these countries are unlikely to welcome pan-African rules of origin for dairy products which restrict the use of imported milk powders and other dairy ingredients in value added dairy products traded under a Continental FTA.

However, the governments of African countries with dairy industries built on local milk production are likely to be reluctant to allow duty free access for value added dairy products produced largely from imported raw materials, since this could well undermine the competitive position of local dairy companies and associated milk producers. This is particularly likely to be the case where different import tariffs on dairy inputs are applied as a result of the different product exclusions and tariff reduction schedules agreed under different EPAs.

These policy challenges are likely to be particularly acute in East Africa where a vibrant smallholder dairy sector exists alongside a dairy sector in which EU companies are looking to play an increasingly prominent role.

African governments will face some tricky compromises in trying to reconcile these kinds of competing interests in the dairy sector and beyond.

Nevertheless, the process of moving ahead with tariff liberalisation processes in the agro-food sector in ways which get to grips with these rules of origin issues will need to be found.

One way of squaring this circle would be to establish managed trade arrangements, involving the use of Tariff Rate Quotas or other forms of quantitative controls on trade in sensitive products. However, this could face problems given the commitments on the 'prohibition of quantitative restrictions' included in the various EPAs concluded with the EU.

The Question of Restrictions on the Trade Policy Space of African Governments

- The Diverse Agricultural and Associated Policy Realities in Africa

The issue of the trade policy constraints which the existing EPA provisions could impose on African governments arises in the AfCFTA context as a result of the practical difficulties which will be faced in moving the trade liberalisation process forward in the politically sensitive area of food products.

This needs to be seen in context of:

- the very different agricultural production possibilities which exist in ecologically diverse African countries;
- the varying importance of the agricultural sector to each national economy
- infrastructure and institutional constraints on efficient engagement with global supply chains
- the diversity of agro-food sector policies being pursued across African countries, in regard to the use of trade policy tools in support of agro-food sector developments.

These diverse realities alongside the political sensitivity of access to food have led to a realisation that a nuanced approach to trade liberalisation in the agro-food sector will be required within the AfCFTA process.

- 'Managed' Agricultural Trade Liberalisation: The Way Forward Under the AfCFTA?

This has led to suggestions that a system of 'managed trade' arrangements involving the use of seasonal and quantitative controls on imports of agro-food products traded under the AfCFTA, will be necessary to secure the 'buy in' of national governments, avert disruption of vulnerable agriculture markets, and avoid undermining existing agricultural policies of African governments.

Analysis of WTO Trade Policy Reviews and a cursory review of press reports suggests that in order to protect and nurture agricultural production, no less than 27 sub-Saharan African governments make use of non-tariff trade policy measures to different extents across 11 major product categories.

The Use of Non-Tariff Trade Policy Tools in Sub-Saharan Africa

SECTORS	West Africa	Central Africa	SADC EPA Group	EAC	ESA
Rice	Nigeria, Ghana, Liberia Gambia, Guinea			Tanzania	Mauritius
Poultry	Nigeria, Cote d'Ivoire Senegal, Ghana, Togo	Cameroon	Mozambique, Swaziland ,Namibia, Botswana, Lesotho		Zimbabwe
Dairy	Cote d'Ivoire		Swaziland, Namibia, Botswana, Lesotho		
Cereals & products	Nigeria, Cote d'Ivoire Mauritania	Gabon, Congo, Angola	Botswana, Namibia	Tanzania	Mauritius, Zambia. Zimbabwe
Beef	Nigeria	Chad	Namibia, Lesotho		
Pork	Nigeria				
Sugar	Nigeria, Senegal,	Angola Gabon, Congo, Chad, CAR	Botswana, Swaziland, Lesotho	Tanzania, Kenya Burundi	Zimbabwe
Horticulture	Senegal, Guinea Conakry, Nigeria	Gabon Angola	Swaziland, Namibia, Lesotho Botswana		Zimbabwe
Oil crops	Nigeria, Cote d'Ivoire				
Beans & Pulses			Lesotho	Tanzania	
Coffee berries				Burundi	

Source: WTO Trade Policy Reviews and press reports
Note: Bold indicate EPA signatory

Of these 27 identified African governments, 11 have signed on to economic partnership agreements involving commitments which prohibit the use of quantitative restrictions on imports from the EU and require EU exporters to be accorded the same treatment as national producers.

While EPA provisions do not prevent African governments imposing quantitative restrictions on mutual trade within the context of the implementation of an AfCFTA, they do prohibit the application of these types of restrictions on imports from the EU.

Similarly, while EPA provisions do not prevent African governments from implementing policies which favour procurement from national producers rather than other African countries, they do prohibit discrimination against EU suppliers and therefore such provisions could not be applied to imports from the EU.

This could create a situation where the EPAs allow African governments to place restrictions on imports from fellow African countries while prohibiting the application of the same restrictions on imports from the EU.

This is likely to be politically unacceptable to African governments. In this context there could well be a conflict between the favoured policy for moving towards agro-food sector trade liberalisation under the AfCFTA and the rigorous interpretation and application of EPA provision (see Annex IV for the text of the relevant provisions on 'Prohibitions of Quantitative Restrictions').

- The Current EU Approach to Implements?? Implementation of Commitments on Non-Tariff Trade Measures

Currently to date, with the exception of the 'standstill' commitments under EU-South Africa TDCA, the EC has made no attempt to rigorously ensure compliance with commitments on the 'prohibition of quantitative restrictions' or 'national treatment' under existing EPAs signed by African governments.

It is unclear whether this is a result of:

- a recognition of the potential difficulties this could create for the African governments concerned;
- the limited institutional capacity within the EU to enforce such commitments; or

- a political manoeuvre to avoid controversial issues until such time as all African governments currently engaged in an EPA process are fully signed up and the agreements concluded have been ratified into legally binding trade agreements.

In this context, two specific cases should be highlighted. Firstly, the uncertain situation in West Africa, where the key economic prize for the EU, Nigeria, continues to distance itself from the EPA process, Secondly, in East Africa, where the full implementation of the agreement signed with Kenya is being held up by the reluctance of all EAC members to sign and ratify the agreement, (a legal prerequisite under the EAC treaty for tariff reduction commitments to be implemented).

The EU's Invocation of its Rights Under Trade Agreements: The Case of Increased South African Tariffs on Poultry Meat

In the face of rising levels of cheap poultry meat imports, South African poultry producers requested the Government to take trader measures to end what it termed the 'dumping' of cheap poultry parts. In 2012, this saw the South African government supplement long-standing anti-dumping duties on poultry imports from the USA (introduced in 2000), with similar interim anti-dumping duties on imports of poultry meat from Brazil, the leading source of poultry meat imports at the time.

Increases in South African MFN Duties on Poultry Meat (October 2013)

Tariff line	Product	Share of imports %	Existing duty %	Duty Increase
0207.1.90	Whole bird	1	27	(bound rate) 82%
0207.14.10	Boneless cuts	11	5	12%
0207.14.90	Bone-in portions	54	18 (220c/kg)	37%
0207.14.20	Offal	5	27	30%
0207.12.20	Carcasses	2	27	31%

Source: ITAC Report no. 442 and DTI media statement.

Brazilian exporters immediately sought their governments' support in challenging this South African trade measure in the WTO. The threat of WTO action saw the South African authorities allowing the interim anti-dumping duties on Brazilian poultry meat to lapse, in favour of a more generalised increase in MFN duties on carefully selected poultry meat products. This saw an across the board increase in MFN duties on selected poultry meat imports introduced in October 2013.

However, in light of commitments entered into under the EU-South Africa TDCA, these MFN tariff increase could not be applied to poultry meat imports from the EU. This left EU exporters with additional tariff advantages over their international competitors, and fuelling a further expansion of EU poultry meat exports to South Africa. By 2017 EU poultry meat exports to South Africa were more than double the level of 2013. This was despite the South African governments efforts to use anti-dumping and safeguard measures (allowed under the EU-South Africa trade agreement) to restrict poultry meat imports from the EU. These measures proved similarly unsuccessful, with the expansion of EU exports only being curbed by the introduction of country specific imports bans from EU member states in the face of outbreaks of Avian Influenza across the EU

EU Poultry Exports to South Africa (tonnes)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
6,083	4,651	5,138	22,007	94,084	131,832	158,481	203,414	211,310	272,756	77,235

Source: EC, Market Access Data Base http://madb.europa.eu/madb/statistical_form.htm

However, there is a partial precedent for the EU's invocation of its rights under an EPA which ensures the EU is excluded from the application of specific trades measures introduced. This relates to the South Africa's decision in October 2013 to increase its MFN tariffs on poultry meat imports within its WTO bound ceilings (see box for details). This saw EU exports of poultry meat excluded from the trade policy measures introduced and saw a further expansion of South Africa imports of poultry meat from the EU.

- Mounting Pressures on the EC

It addition, it should be noted that the European Commission has come under intense criticism for its failure to enforce compliance with commitments entered into by third parties under trade agreements. This is seen by EU exporters as undermining the commercial value of these trade agreements. Consequently, a growing range of EU exporters associations have called for more effective EC action to enforce compliance with trade agreement commitments so as to remove barriers to EU exports.

However, seeking to enforce compliance by major trading partners with trade agreement commitments is potentially a risky exercise. EU member states governments are concerned proactive engagement action by the EC to secure enforcement of trade agreement commitments, could leave the EU open to 'retaliatory enforcement'[13]. As a consequence, intensified EC efforts to ensure compliance with trade agreement commitments is a highly political issue.

Given the political nature of the pursuit of stricter enforcement of compliance with trade agreement commitments, this could lead the EC to focus its efforts on resolving trade barriers on countries where there is less scope for retaliatory action against EU measures. In the context of moves towards EPA implementation, African EPA signatories could find themselves targeted by the EC for greater compliance enforcement, since there would appear to be minimal risk of retaliatory action by African governments.

Given it is unlikely new EC staff will be appointed to more actively pursue enforcement of trade agreement commitments, the likelihood is that in response to growing pressure from EU exporters, the EC will seek to redeploy the efforts of EU delegation staff towards securing the removal of trade barriers through the full integration of trade barrier issues into ongoing national dialogues on economic policy reforms and aid deployment. It is in this context that reference may well be made to existing commitments entered into under EPAs, in requesting the removal of quantitative restrictions on imports from the EU. It is in this context that the threat could be made of the EU imposing trade sanctions if existing EPA commitments are not complied with.

If the EC were eventually to move towards a more proactive enforcement of EPA provisions on 'prohibitions of quantitative restrictions' and 'national treatment,' then this could constrain the policy space which certain African governments have to use in a 'managed trade' approach to agro-food sector trade liberalisation under the AfCFTA.

[13] 'Retaliatory enforcement' refers to third countries initiating actions against the EU's use of non-tariff measures which are in violation of the EU's international trade agreement commitments. The EU is particularly vulnerable to 'retaliatory enforcement', for it was estimated at the beginning of 2016 that 'since November 2008 official bodies throughout the European Union have implemented 681 acts that discriminate against foreign commercial interests, 441 of which are still in effect'.

What EU Exporters Say About Greater Enforcement of Trade Agreement Commitments

“Equally important to concluding trade agreements is to secure strict enforcement of those already in place. … international trade rules and WTO dispute settlement … should be used therefore without hesitation”

Letter to Commissioner Malmstrom, Pernod Picard 12 November 2014.

“The biggest market access issue for European fruit and vegetables consists in excessive, burdensome, and costly phyto-sanitary barriers imposed by third countries…. Many of these market access hurdles for EU exporters are encountered when trading with countries enjoying a bilateral free trade agreement with the EU”.

Letter to Commissioner Malmstrom, Freshfel, 18 December 2014

“Enforcement of trade rules is essential to ensure that agreements actually deliver meaningful market access improvements, increased exports and economic growth…. Ongoing trade negotiations should not prevent the EU from demanding full implementation of existing WTO and bilateral commitments by our negotiating partners, nor should they block or discourage possible WTO action against any trading partner. A credible threat of WTO litigation encourages trading partners to abide by their commitments.”

Joint Position Paper Comité Européen des Enterprises Vins and Spirits Europe, June 2015

“the Trade Strategy [of the European Commission] should entail a clear and concise focus on implementation of trade agreements”.

Position paper of the European Federation of Pharmaceutical Industries and Associations (EFPIA), 31st July 2015

- The Need for Political Engagement

While this is one scenario for the development of EPA implementation, other options are also open. This is particularly the case given the political nature of the enforcement of EU trade agreement commitments. Given that the EC lacks the institutional capacity to fully enforce the provisions of all trade agreements (it falls woefully below its own target of addressing 20% of all cases raised each year), the EC could easily agree to make a ‘virtue of necessity’ by agreeing not to enforce EPA commitments where this would be inconsistent with the chosen path for implementation of AfCFTA trade liberalisation commitments. This could avert any potential conflict between EPA commitments and the preferred route for 'managed trade liberalisation' in the agro-food sector under the AfCFTA.

The 'Right to Development'

The proposal for a 'right to development' was included in a 2013 report by Joseph Stiglitz and Andrew Charlton, entitled 'The right to trade: Rethinking the aid for trade agenda'. This proposal focussed on WTO obligations taken on by developing countries. The concept of the 'right to development' would seek to limit 'the applicability of WTO obligations when the enforcement of such obligations would have a significant adverse effect on development'. It would create a right for developing countries 'not to be harmed by the imposition of trade rules.'

However, this concept is equally valid in the context of the implementation of EU trade agreements with developing countries, particular where these trade agreements involve developing countries taking on commitments which go substantially beyond their WTO obligations. The enshrining of a 'right to development' in framework of EU-Africa trade agreements would be wholly consistent with the EU's nominal commitment to 'policy coherence for development'.

However, for this to happen, the issue of the EC's interpretation and application of EPA commitments in a manner consistent with Africa's Continental FTA aspirations would need to be taken up at a political level with EU member states governments. This would then need to be translated into an EU Council statement which would guide the EC's approach to the implementation of EPA commitments. This would be wholly consistent with the EU's nominal commitment to 'policy coherence for development,' and calls for a recognition of the 'Right to Development' in the interpretation and application of trade agreement policy commitments by developing countries.

Cases of EU Disputes With African Governments Recorded on the EC Market Access Data Base

According to the listing of trade disputes involving African countries on the EC's Market Access Data Base, 8 cases have been successfully resolved while 11 are outstanding. Of the 8 cases resolved, 7 involved South Africa and 1 the Cote d'Ivoire. Of the 11 outstanding cases, 9 involve Nigeria and 2 involve South Africa. These cases relate to the use by African governments of: import restrictions (3); government procurement regulations (2), discriminatory taxation (1), export restrictions (1), general non-tariff barriers (3) and non-specific other barriers (1).

The EU has established Market Access Teams to identify and address trade barriers in both South Africa and Nigeria. It is noteworthy that the country in which most disputes identified by the EU have been resolved is South Africa, where an EPA is not only in place but has been fully implemented.

Resolved and On-Going Trade Disputes Involving ACP Countries Recorded on the EC Market Access Database

	South Africa	Cote D'Ivoire	Nigeria	Total by Issue
RESOLVED				
SPS	4	1		5
Import Restrictions	3	-	-	3
ON-GOING				
Import Restrictions	1	-	2	3
Discriminatory Taxes	-	-	1	1
Govt. Procurement	1	-	1	2
Export Restrictions	-	-	1	1
NTBs	-	-	3	3
Other Barriers	-	-	1	1
Total by Country	9	1	9	19

The Question of Standards

- The Growing Importance of Standards in International Trade

It is increasingly recognised that one of the main barriers to international trade is divergent national standards. In this context, any efforts to create a single African market within which goods can freely flow will eventually need to get grips on the issue of harmonising national product standards. This is an issue which is already being addressed within sub-regional trade integration initiatives in Africa (e.g. in the East African Community).

However, the issue of standards harmonisation is also something which is being taken up under EU trade agreements. The EU is increasingly seeking to promote product standards in Africa which are aligned with EU standards. This assists both EU goods exporters and EU investors. The need to comply with EU standards when exporting to the EU is an important reason why African companies seek out joint ventures with EU when planning to expand exports to the EU, with this being seen as a short cut to meeting EU standards compliance requirements.

However, this dimension can also apply to products produced for national and regional markets in Africa in the context of the establishment of regional food products standards.

It is against this background that standards harmonisation within EU-Africa trade agreement processes could serve to pre-empt intra-African discussions on standards harmonisation within the AfCFTA process.

This could come to carry important implications for both the origin of investment in African agro-food sector development and the trade opportunities which exist for different types of African agricultural producers.

- Problems in Regionalising Standards: The Example of EAC Dairy Sector

This issue can best be illustrated by standards development in the dairy sector. A 2010 World Bank commissioned study on 'Non-Tariff Measures on Goods Trade in the East African Community: Assessment of Regional Dairy Trade', found efforts to harmonise EAC dairy sector standards were throwing up some unexpected problems. It described the standards set, which had taken as their reference point international standards, as 'unrealistic', with microbiological levels set at levels which were presently 'unreachable for nearly the entire EAC industry'.

According to this analysis, which was carried out for the World Bank by the Danish Institute for International Studies (DIIS), this process of upgrading and harmonising standards had been largely 'donor and public agency-driven', with an outcome which paid little attention to current production realities in the EAC dairy sector. The adoption of these standards it was maintained could lead to 'most EAC dairy products … [being] denied entry with reference to the harmonized EAC standards.

The report argued that this outcome of the establishment of regional standards based on international standards could carry serious trade consequences, particularly since 'the infrastructure necessary to prove compliance is not in place'. The DIIS report suggested this could lead to a situation where trade would continue without any reference to the harmonised standards. This led the report to recommend a review of the new standards, and their withdrawal if they 'do not meet public health or market demands'.

- The Commercial and Investment Implications of Standards

However, the establishment of regional standards based on international standards could also lead to a number of other consequences. For example, if we transpose this EAC experience into a broader pan-African context, the process of pan-African standards harmonisation could create major competitive advantages for more advanced African dairy sectors. As trade liberalisation and standards harmonisation processes progress, this could see non-compliant local dairy producers being driven out of production or being subject to take-over by larger regional or international dairy companies.

This could then see the distribution channels built up by the local company being utilised to distribute standards compliant imported dairy products. This could then serve to disrupt existing local milk-to-dairy supply chains, with this carrying serious consequences for local dairy farmers.

To a certain extent this standards dimension is already in play. As EU dairy companies are increasingly establishing themselves across Africa, so are they promoting the adoption of dairy sector production standards consistent with European dairy sector norms. This then gives these European companies a natural competitive advantage over local producers and other competing third country suppliers.

This process is being supported by the types of policy dialogues being promoted around standards issues under EU Economic Partnership Agreements with different African regions.

It is against this background that care will need to be taken to ensure that dialogues with the EU around agro-food sector standards in an EPA context do not pre-empt discussions on appropriate regional standards for agro-food products in a pan African FTA context.

If EU standards were to take precedence then this could leave a wide range of African agro-food producers commercially vulnerable to take-overs by EU agro-food sector companies, who can offer a 'short-cut' to standards compliance across emerging regional markets.

This is likely to be a particularly tricky issue in the AfCFTA context, given the differing interests of national agro-food sector producers and the different rates of integration of African agro-food sector companies within the production, investment and trade strategies of increasingly internationally orientated EU agro-food sector companies[14].

[14] Thus we find that with an EU-South Africa trade agreement under negotiation a process of acquisitions and joint ventures was launched in the 1990s which saw two thirds of the South Africa dairy sector integrated with the production, investment and trade strategies of EU dairy companies by the turn of the century. Similarly, with duty free access to the EU market secured and EU sugar sector reforms scheduled, over 40% of Southern Africa's sugar industry passed into the hands of EU based sugar companies (primarily Associated British Foods and Tereos). Similar processes of corporate acquisitions, joint ventures or direct investments are underway beyond Southern Africa. This includes the launching of joint ventures, acquisition and direct investments in the dairy and the horticulture sectors in West and East Africa.

Impact of the departure of the UK from the EU on Africa's Agro-Food Sector Trade with the current EU28

The issues arising for African Agro-Food Sectors within the Brexit Process

- The Exit of the UK from the Coverage of EU Trade Agreements

The UK's departure from the EU will involve the UK leaving EU trade agreements on 29th March 2019. This will take the second largest economy in the EU out of the economic partnership agreements, with the preferential basis for current African agro-food exports to the UK established under these EU trade agreements no longer applying. To put this in context the UK has a larger GDP than the combined GDP of the EU's 19 smaller economies combined.

EU GDP 2016 By Member State % (EU GDP 2016 €14 800 billion)

Country	Germany	UK	France	Italy	Spain	Netherlands	Sweden
% EU GDP	21.1%	16.0%	15.0%	11.3%	7.%	4.7%	3.1%
Country	Poland	Belgium	Austria	Denmark	Ireland	Finland	Portugal
% EU GDP	2.9%	2.8%	2.4%	1.9%	1.8%	1.4%	1.2%
Country	Greece	Czech Rep	Romania	Hungary	Slovakia	Luxembourg	Bulgaria
% EU GDP	1.2%	1.2%	1.1%	0.8%	0.5%	0.4%	0.3%
Country	Croatia	Slovenia	Lithuania	Latvia	Estonia	Cyprus	Malta
% EU GDP	0.3%	0.3%	0.3%	0.2%	0.1%	0.1%	0.1%

The departure of the UK thus constitutes a serious dent in the commercial value of the economic partnership agreements concluded by African governments with the EU.

Of all EPA signatories, this is most serious for South Africa, Kenya, Mauritius and Seychelles since for these countries the UK market accounts for a higher % of their total exports to the EU than the UK's share of EU GDP would warrant.

EPA Signatories: Dependence on the UK Market in Overall Exports to the EU28

	2017	**2016**	**2015**
South Africa	31.3%	37.8%	26.6%
Botswana	3.7%	6.2%	1.9%
Namibia	3.3%	4.2%	5.0%
Lesotho	0.4%	0.5%	0.3%
Swaziland	11.0%	28.3%	10.4%
Mozambique	5.8%	6.7%	7.2%
Kenya	28.0%	29.1%	27.7%
Mauritius	21.4%	22.1%	27.2%
Seychelles	23.9%	27.1%	33.5%
Zimbabwe	20.0%	16.0%	11.5%
Madagascar	3.4%	4.0%	5.9%
Comoros	03%	0.5%	0.8%
Ghana	10.5%	10.3%	10.5%
Cameroon	2.8%	4.3%	7.9%
Ivory Coast	7.0%	7.5%	6.2%

This situation is even more pronounced if we consider only agro-food exports in general and specific agro-food products in particular. At this level, for example in the case of South Africa and Kenya, an export dependence on the UK market for a range of individual products is well in excess of 50% of their exports to the EU28 market of these products.

While other EPA signatories have a lower trade dependence on the UK market in both their overall trade with the EU and in their agro-food sector trade, in some of these countries for individual products the dependence on the UK market can be exceptionally high. For example in Namibia, while the overall dependence on the UK market in trade with the EU28 has been between a 3.3% and 5.0% of overall trade (2015-17), for products such as table grapes and fresh and chilled beef the dependence on the UK market in trade with the EU28 was between 29.5% and 36.8% and 51.1% and 65.2% respectively of export of these products over the 2015-17 period.

Similarly, for a country like Ghana, while the overall dependence on the UK market in trade with the EU is only around 10.5%, for bananas this dependence on the UK market has ranged from 47% to 54% of total banana exports to the EU28 in recent years.

The importance of the UK market in overall trade in agro-food products with the EU for a range of EPA signatories is particularly important since it is the agro-food sector where current margins of tariff preferences enjoyed under the various EPAs are most significant.

It is thus in the agro-food sector where the UK's departure from the EU represents the most serious erosion of the current value of African EPA arrangements with the EU.

This needs to be seen in a context where the value of the EPA for EU27 exporters will remain unaffected and could even be enhanced if there are any delays in the UK securing a 'rolling-over' of existing EPA based access or in the conclusion of new bilateral 'UK-only' trade deals to replace the existing EPA based market access to third country markets.

Distinguishing Between the Value of the EPA and the Value of Future Trade with the EU27 and the UK

It will be possible for African governments to negotiate bilaterally similar EPA arrangements with the UK. These future bilateral agreements with the UK may be able to retain and even enhance the value of preferential access to the UK market. How valuable future preferential access to the UK will be however, will depend on the future direction of UK trade policy and the extent to which its tariff regime for agro-food products varies from the protective tariff regime currently applied by the EU.

Nevertheless, the value of the EPA with the EU will be reduced as a result of the UK's departure from the EU, particularly for those African countries which have an above average dependence on the UK market in their trade with the EU. However, the benefits derived by EU27 companies from the EPAs will remain unchanged and may even be enhanced by the departure of the UK, since at least for a time UK exporters may no longer enjoy the same tariff preferences on African markets which EU27 exporters enjoy.

- The Impact of the UK's Exit on the Functioning of Triangular Supply Chains

In addition to the impact of the UK's departure on the overall volume of trade with the EU which will take place under concluded EPAs, the UK's departure will also impact on the functioning of triangular supply chains which serve the UK market via a port of landing in an EU27 member state or an EU27 market via the UK. The Economist has claimed that the bulk of UK agro-food imports take place through EU27 member states.

This dimension of Brexit will affect not only EPA signatories but also LDCs which export along triangular supply chains. This primarily affects high value horticulture and floriculture products which are flown to destinations in a EU27 member state and shipped onward to the UK.

The most prominent example in this regard would be Ethiopian cut flower exports sold via the flower auction houses in the Netherlands and then onward shipped to the UK via channel ports. However, it also affects horticulture exports to the UK from Zambia and other African horticulture exporters who find it cheaper to land cargoes in an EU27 member states (e.g. Liege in Belgium) before onward shipment to the UK by truck and cross channel ferry.

At a minimum, additional costs will arise along these supply chains. At worst, if the UK crashes out of the EU without any agreements in place, these supply chains are likely to be profoundly disrupted by the traffic chaos which will arise at the main channel ports as a result of the re-imposition of standard third country import controls on UK/EU27 trade. This will delay vehicle clearance through ports on both sides of the channel, potentially generating massive traffic congestion along surrounding roads.

In addition, exports of products like bananas to the Republic of Ireland via the UK could also be affected, with this then impacting on exporters such as Cameroon, Cote d'Ivoire and Ghana.

The precise extent of this triangular trade is unclear, since currently once a good enters the EU28 market it can freely flow across EU borders. There is thus no third country specific documentation of intra-EU trade flows of potentially affected African exports. This data is likely to be available only at a company by company level, and even then, it is unlikely to be comprehensively available.

Another dimension of current triangular trade which could face disruptions is the trade in value added products produced in an EU27 member state (or the UK) on the basis of imports from African countries which is then traded onward into the UK (or into an EU member state). The most important sector affected by this dimension of Brexit is the cocoa sector where in 2016 exports of cocoa beans, paste, butter and powder accounted for 40.9% of the total value of African agro-food exports to the EU28. While there are only limited exports of cocoa beans, paste, butter and powder to the UK, African sourced cocoa beans are critical to EU27 member states onward trade of cocoa products to the UK market.

The reality is despite the complete absence of cocoa production in the EU, the majority of UK imports of cocoa paste (61%), cocoa butter (53%) and cocoa powder (95%) were sourced from fellow EU member states. If standard MFN tariffs were to be applied to EU27/UK trade then cocoa paste imports into the UK would face duties of 9.6%, cocoa butter imports would face duties of 7.7%, while cocoa powder imports would face duties of 8.0% plus a range of supplementary levies based on the sugar content ranging from €25.2/100 kg to €41.9/100 kg, if the UK stuck to its current commitment to apply EU level tariffs in the immediate post Brexit period

This creates a situation where the future evolution of EU27-UK trade relations is of critical importance to the future functioning of African-EU28 cocoa supply chains.

It is however unclear what the net effect of any Brexit related disruptions would be on the functioning of existing cocoa supply chains. It is possible that under certain ‘hard’ Brexit scenarios opportunities could be created for African governments moving up the cocoa value chain in their trade with the UK.

The other main triangular supply chain involving processing and packaging which could be disrupted is the trade in sugar products produced from raw sugar currently sourced on a full duty free-quota free (DFQF) basis from

African suppliers, where sugar imports are refined and/or packaged in the UK prior to onward trade into EU27 markets.

It can be argued that since refining and packaging does not change the tariff heading of raw sugar, these refined or packaged products should continue to be treated as if they were ACP/LDC products and hence should continue to enjoy continued duty free-quota free access to the EU market.

This should also apply to ACP/LDC sourced raw sugar originating in countries to which the UK grants full duty free-quota free access where this sugar is packaged or refined in an EU27 member state, prior to onward trade into the UK.

If this is accepted, this would then raise important rules of origin questions in regard to the use of sugar sourced under DFQF arrangements from African suppliers in food and drink products produced in the UK and traded into the EU. Addressing this issue in a constructive manner would be likely to help traditional African sugar exporters retain a market presence in the UK despite any post-Brexit UK sugar sector tariff policy changes.

- The Impact on the Functioning of Certain EU27 Markets

In certain sectors such as bananas and sugar, the UK's departure from the EU will also impact on the functioning of EU27 markets in the post-Brexit period. These sectors are considered 'sensitive' by the EU and so market access concessions under EU bilateral trade agreements tend to be based on tariff restricted reduced duty access (so called tariff rate quotas or TRQs). Once the UK leaves the EU it will take away around 20% of EU import demand for both sugar and bananas.

Against this background the question arises: what happens to the EU's bilaterally negotiated TRQ obligations to non-ACP countries? Will these market access rights for non-ACP countries remain unchanged or will they be apportioned between the UK and EU27 markets?

If they remain unchanged in the context of the removal of UK import demand from the EU market equation, then this will greatly increase competition for African banana and sugar exporters on the EU27 market. This is most serious in the banana sector where the existing margins of tariff preferences over $ banana exporters are seen as vital to the future profitability of banana exports to the EU27 market.

This needs to be seen in a context where since 2017 traditional ACP banana exporters have been losing market share, in the face of the rolling out of a bilaterally negotiated expansion of TRQ access at reduced tariffs for $ banana exporters in central America and the Andean Pact region.

While during 2017 Ghana was able to retain its share of the EU market, both Cote d'Ivoire and more so Cameroon lost ground compared to 2016. Indeed in 2017 Cameroon saw its lowest share in the EU28 market in four years. This competitive position is only likely to be worsened by the UK's departure from the EU in the absence of an agreement on apportioning existing EU banana TRQs between the UK and EU27 markets.

EU28 Banana Imports: Pressure Mounting on the Share of African Exporters

	2014		**2015**		**2016**		**2017**	
Total EU imports	**4,617,613**		**5,122,414**		**5,282,434**		**5,527,771**	
	Tonnes	% EU	Tonnes	% EU	Tonnes	% EU	Tonnes	% EU
Cameroon	257,135	5.57%	278,290	5.43%	297,114	5.62%	270,348	4.89%
Ghana	46,724	1.01%	51,261	1.00%	58,021	1.10%	70,590	1.28%
Ivory Coast	252,780	5.47%	254,306	4.96%	308,258	5.84%	316,046	5.72%

Source: EC Market Access Data Base, http://madb.europa.eu/madb/statistical_form.htm

- Implications for Regulatory Divergence

Any regulatory divergence between the UK and EU27 SPS and food safety standards for agro-food products, or any divergence in the modalities for certifying and verifying compliance with SPS and food safety standards, could serve to increase the unit costs of compliance in serving both the UK and EU27 markets. Continued UK/EU27 alignment on all aspects of SPS and food safety compliance and control requirements are essential to avoiding any increase in these costs for African exporters.

While the UK has committed to a common rule book for manufactured goods including agriculture, food and fisheries products and ongoing harmonisation, this UK commitment is qualified in two important ways. Firstly, by the qualification that this only applies to regulations 'necessary to provide for frictionless trade at the border' (UK/EU27 border and secondly, by reserving powers for the UK Parliament to accept or reject any proposed EU rule changes.

These UK proposals are likely to require clarification and modification if they are to prove acceptable to the EU.

- The Scope for Diversion of Current EU27/UK Trade onto African Markets

The final area of impact of Brexit which needs to be borne in mind in the context of the future implementation of the commitments which a number of African governments have entered into under the EPAs and the design of moves towards the operationalisation of the AfCFTA in the agro-food sector, is the scope for the Brexit process to disrupt current EU27/UK agro-food sector trade flows in ways which leave EU27 and UK exporters looking for alternative markets in Africa.

If a 'hard' Brexit occurs this is most likely to impact on:

- trade in animal products, notably: poultry meat, beef and dairy products;
- those products where the UK has a production deficit or no production interest but where the EU maintains high import tariffs and removal of these high duties could see competitive third country suppliers replacing EU27 exports to the UK market (e.g. for sugar, citrus)
- specific products and trade flows, such as Dutch onion exports to the UK.

In this context, African governments may need to make greater use of traditional non-tariff trade policy measures in managing the market effects of any sudden import surges so as to avert any disruption of local supply chains. However, for African EPA signatories the use of such traditional non-tariff trade policy tools could fall foul of existing EPA commitments on the 'prohibition of quantitative restriction' on imports from the EU from the date of entry into force of the EPA agreements.

Policy Issues Arising Under EPAs in the Context of the UK's Withdrawal From the EU

- Securing Improved Rules of Origin for African Exports

Since the UK's withdrawal from the EU will reduce the economic value for African agro-food exporters of the existing EPAs, the balance of economic benefits which these agreements generate will be changed to the detriment of African agro-food exporters. In this context the question arises: what policy measures can be adopted to reduce these negative effects and enhance the potential value for African agro-food exporters of existing EPAs African governments have concluded with the EU?

The main area of policy change which can be used to reduce the negative effects of the removal of the UK from the coverage of the existing EPAs is in the areas of rules of origin.

Currently, there are examples where limits on the use of non-originating content can restrict the ability of African exporters to move up the value chain in their current agro-food export trade. This is particularly the case where imported secondary ingredients and high-quality packaging materials are required in the production of more sophisticated food products.

Expanding and simplifying 'cumulation' arrangements to allow pan-African cumulation of origin and increasing the non-originating content which can be used in sophisticated value-added food products (by for example eliminating packing materials from the value calculation in defining non-originating materials) could facilitate movement up agro-food sector value chains in serving EU27 markets.

The Brexit process creates an opportunity for re-opening these rules of origin discussions. The UK's departure from the EU could be highly disruptive of certain EU27 exports given the integrated nature of supply chains which have developed across the EU28.

As part of its preparations for the UK's departure on the 4th June 2018, the EC issued a notification to stakeholders setting out the implications of the UK's withdrawal for the rules or origin applied to EU27 exports under EU-third country preferential trade agreements. This notification pointed out that from 30th March 2019 inputs sourced from the UK will no longer count as 'originating' in the EU and will form part of the non-originating content of EU27 products exported to third countries under preferential trade agreements. For certain products this could lead EU27 exporters to lose the benefits of tariff preferences provided under trade agreement since the products concerned would no longer be deemed to originate in the EU under current rules of origin provisions.

Against this background, both the EU27 and the UK are looking to secure the agreement of third country partners, that for rules of origin purposes in future the UK and the EU27 will be allowed to cumulate for rules of origin purposes, despite the UK no longer being a member of the EU. The alternative to this would be EU producers needing to find alternative input suppliers in an EU27 member state. This could prove highly disruptive of current input supply arrangements for some EU27 exported products.

It is against this background that as a result of the Brexit process there could be opportunities for renegotiating rules of origin arrangements under African trade agreements with the EU, in ways which create new export opportunities for African agro-food exporters and which encourage the development of pan-African supply chains in engaging with global trade partners such as the EU.

This rules of origin issue of course has implications beyond the agro-food sector, most immediately in the fisheries sector where restrictive rules of origin are currently applied, but also across a range of manufactured products dependent on international sourcing for inputs.

Similar rules of origin issues will also arise in negotiations with the UK on parallel EPA+ 'UK-only' trade arrangements.

Currently, the UK government takes the view that this is solely an issue for discussion between the UK and the EU, with the July 2018 UK White paper on the future trade relationship with the EU seeing any future agreement with the EU including arrangements to facilitate 'cumulation' with current and future FTA partners, which would 'allow EU content to count as local content in UK exports to its FTA partners for rules of origin purposes, and UK content to count as local content in EU exports to its FTA partners'.

The UK government effectively expects third country governments to simply concur with any agreements the UK and EU reach with each other on cumulation of origin for UK and EU goods exported under future FTAs with third countries. It singularly fails to recognise the need to negotiate such rules of origin issues with third country governments on the basis of mutual concessions on rules of origin issues.

- **Securing a Responsible Interpretation and Application of EPA Non-Tariff Provisions**

Given the slow progress of the Brexit negotiations and the continued major policy divisions on the future basis for trade relations with the EU in the ruling Conservative Party and their Democratic Unionist Party allies, the danger of a 'hard' Brexit in which the UK 'crashes out' of the EU with no alternative trade arrangements in place is coming ever closer.

Were the UK to 'crash out,' this would be particularly disruptive of UK/EU27 agro-food sector supply chains, with this potentially requiring existing EU28 exporters to find alternative markets. EC notifications to stakeholders suggest trade in animal products (poultry meat, beef, lamb, dairy products) are likely to be worst affected given the structure of EU tariffs and border controls on third country suppliers.

For example, in the dairy sector, Dairy UK and the European Milk Board have warned the trade disruptions resulting from a hard Brexit could be far more severe than those which arose from the August 2014 Russian import embargo. The August 2014 Russian import embargo saw a major upsurge in EU exports of milk powders and poultry meat to African markets.

The import surges in the agro-food products most seriously affected by a 'hard' Brexit are likely to be even more severe than those which followed the Russian import embargo, since the volume of mutual trade between the EU27 and the UK is even greater than the volume of EU exports affected by the Russian embargo. In short, a 'hard' Brexit' will change the economic context for the implementation of EPA commitments.

It is in this context that African governments may need to make greater use of non-tariff trade measures in order to reduce the market effects on local African supply chains of the sudden need of EU27, and UK exporters to find alternative markets for products where mutual EU27/UK trade will be made more difficult by the application of standard third country import controls on mutual EU27/UK trade.

The sudden need for alternative markets is likely to be a temporary issue while the future basis for EU27/UK trade in agro-food products is negotiated and the necessary infrastructure for the application of standard third country controls on mutual EU27/UK trade is built up. The latter dimension of building up the necessary infrastructure for the application of standard third country controls on mutual EU27/UK trade could take a number of years, with the length of time required depending on the nature of the future EU27/UK trade arrangement set in place.

This suggests a need to launch a dialogue on the need for a formal commitment from the EU27 to the flexible and responsible interpretation and implementation of EPA commitments, in order to allow African governments to freely use non-tariff trade measures to prevent Brexit related disruption of

EU27/UK agro-food sector trade flows from leading to trade displacement, which undermines the functioning of local and intra-Africa agro-food sector supply chains.

This is potentially of some considerable significance as African governments seek to move ahead with the elaboration and implementation of Continental Free Trade Area commitments. The process of designing and implementing intra-African agro-food sector trade liberalisation commitments could become more politically complicated if sudden export surges from the EU27 and the UK had previously disrupted the functioning of local agro-food sector supply chains and existing intra-regional trade flows.

This needs to be seen in a context where the EU27 and the UK are by far Africa's most important agro-food sector trade partner.

Changes in EU Poultry Meat Exports to Sub-Saharan Africa Before and After the August 2014 Russian Import Embargo

In 2013, Russian took some 78,714 tonnes of extra-EU poultry meat exports, accounting for 6.2% of extra-EU poultry meat exports. By 2016, this was a mere 50 tonnes. This lost market was more than compensated for by the expansion of EU28 poultry meat exports to sub-Saharan African markets. Between 2013 and 2016, EU poultry meat exports to sub-Saharan African markets as a whole increased 30.6% (+157,996 tonnes).

Significantly, EU export volumes increased most dramatically where an EU trade agreement was fully in place and where, as a result of the provisions of the EU trade agreement, non-tariff trade policy tools could not be used to restrict imports of poultry meat from the EU.

Thus between 2013 and 2016, EU exports of poultry meat to South Africa increased 72%. This is more than twice the rate of increase for EU exports to sub-Saharan Africa as a whole. Indeed, the increase in the volume of EU poultry meat exports to South Africa over this period was more than 5 times greater than the rate of increase in exports to other sub-Saharan African countries (a 13.7% increase to sub-Saharan Africa countries excluding South Africa).

This needs to be seen in a context where from October 2013, the South Africa government had increased its MFN duties on poultry meat imports within WTO bound ceilings, in an effort to curb the increase in poultry meat imports which were threatening to undermine the commercial prospects of the domestic South African poultry sector.

However, as a result of the provisions of the EU-South Africa trade agreement, these tariff increases could not be applied to imports from the EU.

This highlights not only the importance sub-Saharan African markets can have at times of trade disruptions,??? but also the important role which trade agreements can play in ensuring alternative markets remain open to EU exports.

Identifying an agenda for political action around African CFTA Objectives in the Agro-food Sector

Recognising and Addressing Underlying Tensions

- On the basis of current trends there is a need to ensure policy decisions around African trade integration in the agro-food sector are not pre-empted by policy decisions taken in the context of the implementation of economic partnership agreements with the EU.
- This requires recognising the underlying tension between African aspirations for the structural development of national agro-food sectors and the growing trade and investment interest of increasingly globally orientated EU agro-food sector companies in African markets.
- If the rapid expansion and evolution of African food demand which is underway is to provide the basis for the structural development of African agro-food sectors, then it is essential that European trade policy implementation facilitates the harnessing of European corporate trade and investment interests in support of the integrated development of African agro-sector supply chains.
- In major sectors this is currently far from the case, with EU trade and investment engagement promoting patterns of value-added food processing activities in coastal states which are heavily import dependent and disarticulated from local agricultural production.
- These trends could be exacerbated in countries where EPAs have been concluded, depending on how provisions related to the use of non-tariff trade policy measures are interpreted and applied.

Acknowledging the Interface with the Africa CFTA Process

- The structural economic development effects of the current trends in EU corporate trade and investment in African agro-food sector are likely to spill-over into neighbouring African markets where no economic partnership agreements with the EU are in place, as a result of the implementation of African CFTA tariff liberalisation commitments.
- This needs to be recognised and addressed if policy discussions and decisions around agro-food sector trade integration in the African CFTA context are not to be pre-empted by policy decisions taken in an EPA context.

The Rules of Origin Option

- Even in the absence of trade agreements with the EU, patterns of EU exports are being encouraged on the basis of EU agricultural support programmes which are leading to imports replacing locally sourced agricultural products in value added food product manufacturing in coastal African countries.
- The differing extent and pace of tariff elimination commitments on imports from the EU entered into by African governments could well exacerbate this trend, unless rigorous rules of origin are applied to product traded under African preferential trade arrangements.
- This suggests African governments will need to enter a detailed process of negotiations on what constitutes an 'originating' food product in order to benefit from African CFTA trade preferences.
- This is likely to be a difficult process given the different production capacities of African countries, the differing trade policies applied by African governments and differing patterns of current trade investment and trade relations established with the EU.
- While in a Southern Africa context, agreement could probably be reached that imported butter which was simply repacked should not be granted originating status under an African CFTA, it is unclear whether a similar such an agreement could be reached in West Africa in regard to the on-ward trade of repackaged milk powders, given current patterns of investment, input sourcing and trade which have evolved since 2013.

- Even if agreement could be reached on strict rules of origin for agro-food products to be granted preferential access under an African CFTA, there would remain the problem of enforcement.
- For example, how many African governments currently have the capacity at their border inspection posts to distinguish between butter which has been produced in South Africa and which would be eligible under normal rules of origin for any preferential access which may be granted under an Africa CFTA, and imported butter (e.g. from the EU) which has simply been repacked in South Africa?
- Similar problems would arise in regard to repackaged milk powders and even more acute problems in regard to the use of milk powders in value added products such as yoghurts.
- Against this background, it may prove exceptionally difficult to use rules of origin to prevent the differential application of tariff reductions on imports in EPA signatory countries spilling over into African countries which have not yet concluded EPAs or are not now engaged in an EPA process.
- This may require the use of other trade policy measures in ‘sensitive’ agro-food sectors notably quantitative controls on imports on ‘sensitive’ products.

Revising the Interpretation and Application of EPA Commitments on Using Non-Tariff Measures

- African governments currently make extensive use of various forms of quantitative controls on imports of ‘sensitive’ agro-food products.
- The use of such trade policy tools could potentially provide a way under the African CFTA process for market access to be expanded in the context of rising national food demand, while at the same time, protecting and nurturing national production of ‘sensitive‘ agro-food products.
- However, some countries making or accepting commitments of this kind in an African CFTA context could come up against the constraint of the pre-existing commitments they have made under their EPAs with the EU in regard to the future use of quantitative controls on imports and the discriminatory application of non-tariff trade policy measures.

- Against this background if a 'managed trade' approach to agro-food sector trade liberalisation is to be pursued in an African CFTA context this will require these EPA commitments to be interpreted and applied in a flexible and responsible manner which:
  c) accords priority to the integrated development of national and regional agro-food sector supply chains;
  d) allows the policy space for African governments to pursue a managed trade liberations process in the agro-food sector, which accommodates national sensitivities while progressing expanding intra-regional trade opportunities in sensitive product.
- Specifically, this will require the EU to:
  c) allow African governments the right to continue to use both seasonal and quantitative restrictions on imports from the EU (and all other sources including African sources of supply) despite the commitments contained in various EPAs to the elimination of quantitative restrictions on trade with the EU from the date of entry into force of the EPAs;
  d) allow African governments the right to grant national and regional suppliers preferential access to markets, despite the non-discrimination commitments contained in the various EPAs concluded by African governments with the EU.

Ensuring Agro-Food Sector Standards Don't Discriminate Against Local and Small-Scale Producers

- Any efforts to create a single African market within which goods can freely flow will eventually need to get grips with the issue of harmonising national product standards.
- This is an important issue where divergent national standards are increasingly recognised as one of the main barriers to international trade.
- Standards harmonisation however is also something which is being taken up under EU trade agreements, with the EU increasingly seeking to promote product standards in Africa which are aligned with EU standards.
- This is not a neutral technical issue but carries important commercial implications, with the EU recognising that the process of standards

harmonisation can carry important benefits for both EU goods exporters and EU investors.

- In this context it needs to be recognised that standards harmonisation within EU-Africa trade agreement processes could serve to pre-empt intra-African discussions on standards harmonisation within the African CFTA process.
- This could come to carry important implications for both the origin of investment in African agro-food sector development and the trade opportunities which exist for different types of African agricultural producers.
- It is probably one of the most complex issues which the African CFTA process will have to deal with.
- Unfortunately, deferring discussions on this issue until some future date could serve to close-off opportunities for regional standards formulation based in the first instance, on regional production realities, given the on-going nature of standards harmonisation processes in dialogues with the EU.
- Beyond regular information exchanges on the progress of discussions with the EU on standards harmonisation within different EPA processes underway in Africa and the convening of sector and product specific review processes, it is unclear how at this point these issues can be addressed within the African CFTA process.

Annexes: 'The African Continental Free Trade Area (AfCFTA), Brexit and EPA Implementation'

Annex I

The State of Play in EU-Africa EPAs

Regional Configuration and Participation	Comments & Observations
SADC-EU EPA ***Countries Involved:*** South Africa, Botswana, Lesotho, Namibia, Swaziland, Mozambique ***State of Implementation:*** Built on the existing EU-South Africa TDCA, with most tariff reductions on imports from EU implemented from 1999-2012, with some small addition access introduced in 2016. ***Additional Observations:*** • TDCA included important tariff standstill commitments which subsequently constrained the South African government tariff policy space in the poultry sector facilitating large scale expansion of EU poultry meat exports to South Africa.	• South Africa is a major point of entry for EU agro-products to the wider region, with imports being integrated into South African production process for export (e.g. in dairy sector). • The process of eliminating tariffs on imports from the EU is most advanced of all African EPAs. • Includes extensive levels of tariff reductions in agro-food products, including sensitive sectors such as poultry meat, dairy products and high sugar content food and drink products. • Highlights the impact of tariff standstill commitments on policy space (e.g. in the poultry sector). • Experience of implementation also highlights limitations of 'safeguard' and 'anti-dumping' provisions of EU agreements

• SADC-EU EPA includes a range of non-tariff trade commitments which nominally restrict the utilisation of non-tariff measures in trade with the EU, but which the EC has so far chosen not to fully enforce.	
Eastern Africa-EU EPA ***Countries Involved:*** Mauritius, Seychelles, Zimbabwe, Madagascar, Comoros ***State of Implementation:*** Mauritius, Seychelles, Zimbabwe and Madagascar signed what were effectively bilateral EPAs with the EU in 2009. The Agreement has been provisionally applied since 14th May 2012. The European Parliament gave its consent on 17th January 2013. ***Additional Observations:*** • Eastern African EPAs are similar but include varying tariff elimination commitments. • Includes a range of non-tariff trade commitments which nominally restrict the utilisation of non-tariff measures in trade with the EU	• The process of eliminating tariffs on imports from the EU is second only to the SADC-EPA region. • Eastern Africa-EU EPA are not ports of entry for EU agro-food exports, although feeds into Mauritian cereal-based food product exports.
Central Africa-EU EPA ***Countries Involved:*** Cameroon, the Central African Republic (CAR), Republic of Congo, Gabon, Equatorial Guinea and Chad ***State of Implementation:*** On 15th January 2009, Cameroon signed an EPA with the EU, the only Central African government to do so. The European Parliament gave its consent in June 2013,	• 6 Central African Governments have so far declined to sign an EPA with the EU. • It is unclear what the implications of Cameroon's signature carries for the integrity of the CEMAC common external tariff.

while in July 2014, the Parliament of Cameroon approved the ratification of the Agreement and on 4th August 2014 the agreement entered into provisional application. ***Additional Observation*** • Includes standstill commitments and commitments on elimination of use of non-tariff measures on imports from EU.	
West Africa-EU EPA ***Countries Involved:*** Ghana, Cote d'Ivoire, Benin, Burkina Faso, Guinea, Mali, Niger, Senegal, Togo, Cape Verde, Guinea Bissau, Sierra Leone, Liberia, Gambia, Mauritania (Nigeria) ***State of Implementation:*** The stepping stone EPA with Côte d'Ivoire and Ghana were signed on 26th November 2008 and 28th July 2016 respectively and were ratified by the Ivoirian National Assembly and Ghanaian Parliament on 12th August 2016 and 3rd August 2016 respectively. The Ivorian agreement entered into provisional application on 3rd September 2016 and the Ghanaian agreement on 15th December 2016. Negotiations of the regional EPA were closed by Chief Negotiators on 6th February 2014 in Brussels. The text was initialed on 30th June 2014. All EU Member States and 13 West African Countries signed the EPA in December 2014, all except Nigeria, Mauritania and The Gambia.	• Only two West African governments have signed and ratified an EPA with the EU, with these two bilateral agreements having entered into force in the final quarter of 2016. • Nigeria remains highly reluctant to sign and implement an EPA with the EU believing it will seriously constrain national structural economic development efforts, particularly in the agro-food sector. • The absence of Nigeria from the West African EPA seriously compromises the value of the regional agreement for EU exporters. • The absence of Nigeria alongside high levels of tariff protection in Nigeria fuels intra-regional smuggling of products, most significantly in the agro-food sector, poultry meat. • The partial nature of engagement in the EPA process, is likely to greatly complicate regional trade integration processes, as bilateral EPA tariff elimination commitments lead to discrepancies in the common external tariff applied by ECOWAS and UEMOA members.

<table>
<tr>
<td>Mauritania and ECOWAS signed an Association Agreement on 9th August 2017 to define the country's participation in ECOWAS' trade policy including the EPA
Regional EPA: After signature by all the Parties, the agreement is expected to be ratified after which point it can enter into force.

Additional Observations
• Includes standstill commitments and commitments on elimination of use of non-tariff measures on imports from EU.</td>
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<td>East African Community (EAC)-EU EPA
Countries Involved:
Kenya, Tanzania, Uganda, Rwanda, Burundi (South Sudan)

State of Implementation:
The negotiations for the regional EPA were successfully concluded on 16th October 2014. On 1st September 2016, Kenya and Rwanda signed the EPA between the East African Community and the EU. Tanzania, Uganda, and Burundi have not yet signed which impacts on the ability to implement reciprocal tariff reduction commitments under EAC rules. Kenya has gone ahead with ratification, in order to preserve its existing duty free-quota free access to the EU market, mindful of the constraints it has in implementing agreed commitments outside of a common EAC framework.

Additional Observations
• Includes standstill commitments and commitments on elimination of use of non-tariff measures on imports from EU.</td>
<td>• The reluctance of some EAC governments to sign and ratify the EAC-EU EPA raises questions as to whether tariff phase downs can yet be implemented.
• The EAC-EU EPA includes an extensive grace period prior to commencement of tariff phase downs
• The EAC-EU EPA has the longest tariff phase down implementation time frame of any of the African EPAs, with most tariff elimination commitments being implemented within 15 years and some 2.9% of commitments within 25 years.</td>
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Other Non-EPA Participating Sub-Saharan African Countries **LDCs** Chad, Central African Republic, DRC, Djibouti, Eritrea, Ethiopia, Equatorial Guinea, Malawi, Sao Tome & Principe, Sudan, Zambia **Non-LDCs** Angola, Congo, Gabon, (Nigeria)	• With the inclusion of Nigeria non-EP participating sub-Saharan African countries have a population of 463 million.

Annex II

Recent Trends in EU Agro-food Exports to Sub-Saharan African Regions Where EPA Processes Are in Place or Ongoing

Prior to the collapse of global oil prices which had a major impact on the capacity to import of import sub-Saharan African markets, the rate of expansion in the value of EU agro-food exports combined with the volatility in basic commodity prices on which Africa's agro-food trade with the EU depends was seeing a transformation of the EU-Africa agro-food sector trade balance. Between 2009 and 2014:

- West Africa's agro-food sector trade surplus fell 91.7% (from €1.6 billion to €134 million), as the value of EU agro-food exports increased more than three times faster than the value of EU agro-food imports;
- the SADC EPA Group configurations moved from having a surplus to a deficit, as the value of EU agro-food exports increased marginally less than three times faster than the value of EU agro-food imports;
- Central Africa's surplus also disappeared, with a growing agro-food sector deficit emerging as the value of EU agro-food exports expanded over 69%, while the value of EU agro-food imports contracted;
- even for the EAC EPA configuration the value of EU agro-food exports grew six times faster than the value of EU agro-food imports, although this had little impact on the EAC's overall trade surplus given the centrality of agricultural exports to the regions trade relationship with the EU.

Evolution of EU-Sub-Saharan African Agro-Food Sector Trade by Regional EPA Grouping (Value Million Euros)

West Africa-EU Agro-food Sector trade	2009	2010	2011	2012	2013	2014	Growth 09-14
EU imports	3,796	4,347	4,921	4,199	3,978	4,630	+22.0%
EU exports	2,189	2,832	3,195	3,480	3,844	3,680	+68.1%
WA trade surplus	+1,607	+1,515	+1,726	+719	+134	+950	-41.1%
EU-SADC EPA (+Angola) agro-food trade							
EU imports	2,186	2,504	2,394	2,506	2,852	2,690	+23.1%
EU exports	1,722	2,007	2,521	2,806	2,802	2,913	+69.2%
SADC EPA Group + Angola trade surplus	+464	+497	+127	+300	+50	-223	Surplus to Deficit

EU-Central Africa agro-food trade	2009	2010	2011	2012	2013	2014	Growth 09-14
EU imports	773	769	741	616	615	721	-6.7%
EU exports	772	931	1,114	1,215	1,287	1,307	+69.3%
Central Africa	1	-162	-373	-671	-672	-586	Surplus to deficit
EU-EAC agro-food trade							
EU imports	1,496	1,540	1,795	1,691	1,632	1689	+12.9%
EU exports	193	204	242	233	276	347	+79.8%
EAC trade surplus	1,303	1,336	1,553	1,458	1,356	1,342	+3%

Only in the ESA EPA grouping did the rate of increase value of agro-food sector exports to the EU exceed the rate of increase in value of imports from the EU.

The impact of the oil price collapse can be seen in trade with the SADC EPA, plus Angola configuration where a small agro-food sector trade surplus emerged in 2015, 2016 and 2017 (+€295 million, +€1million and +€3 million) on the back of a collapse in EU agro-food exports to Angola, which fell €344 million in 2015, a further €185 million in 2016, before recovering some €81 million in 2017.

Annex III

Recent Technical Innovations and EU Corporate Investment in African Dairy Sector Development

Arla Group

July 2013 Arla announces "a new mobile milk powder packaging facility out of three 40-foot containers", as a means of testing new markets for milk powder in Africa.

September 2013 Arla announces formation of a joint venture in Cote d'Ivoire with the soup packaging company, Mata Holdings, for the packaging and sale of milk powders using its new mobile unit.

2014 Arla announces plans to invest DKK 60 million in Africa in rolling out its new mobile processing unit concept.

2015 Arla announces new milk powder formula for manufacturing of "high quality specialty cheese without fresh milk".

September 2015 Arla announces joint venture in Nigeria with the Tolaram Group for the re-packaging of milk powder.

September 2015 Arla announces joint venture in Senegal with the Attieh Group for the re-packing of milk powder.

August 2017 Arla announces the establishment of fully owned re-packaging facility in Ghana which would also handle the sale of Arla branded products in association with local partners with strong distribution networks

FrieslandCampina

2008 FrieslandCampina WAMCO (FCW) Nigeria begins exploring local milk sourcing

2011 FCW reaches agreement with the Nigerian government setting up pilot Milk Collection Centres.

2013 FCW sets target of 10% local milk procurement

2014 FrieslandCampina acquires Olam's dairy business in Cote d'Ivoire.

Danone

1998 Danone enters South African market forming joint venture with Clover

2005 Danone takes a 20% shareholding in Laitiere du Berger, which uses 50% imported milk powder in the production of a range of dairy products.

2009 Danone announces full acquisition of Clover Danone shares, with termination supply agreement in 2014.

October 2013 Danone acquires a 49% shareholding in Fan Milk International, a major West African milk powder reconstitution company.

July 2014 Danone confirms the acquisition of a 40% share in Kenya's Brookside Dairies, which accounts for 44% of the Kenyan market, and in 2015 Brookside begins a process of take overs of dairy companies in neighbouring countries.

April 2015 Brookside Dairies takes over dairy interests of Sameer Agriculture and Livestock Company in Uganda.

March 2017 Danone, via Dubai subsidiary takes over Brookside Tanzania (formerly state-owned Tanzania Dairies)

Nestle

July 2014 Nestlé announces the launch of a modular factory for reconstituted dairy products which can be established in half the time and at 50-60% of the cost of a conventional factory. Malawi Tanzania, Uganda, Rwanda and Mozambique are identified as target countries for the new facilities.

Ornua

August 2014 Ornua establishes a subsidiary in South Africa (Port Elizabeth) as a platform for exports to African markets through packing, storage and distribution partners throughout the region, targeting not only SACU markets but markets as far afield as Malawi, Angola and the DRC. Each target market has its own re-packing facility enabling Ornua to 'respond quickly to changes in pack size and pricing'.

December 2015 Ornua opens a new packing facility in Nigeria in a joint venture with a local distribution company Fareast Mercantile Distribution Company, involving repacking milk powders into consumer ready packages marketed under the Kerrygold brand.

2016 Ornua completes a detailed compliance process 'enabling exports to West and Central African markets' from the company's Nigerian facilities.

Annex IV

'Prohibition of Quantitative Restrictions' Provisions

SADC-EU IEPA Article 41: 'Prohibition of quantitative restrictions' "The Parties may apply quantitative restrictions provided such restrictions are applied in conformity with the WTO Agreement."
ESA-EU EPA Article 17: 'Prohibition of quantitative restrictions' "Except as otherwise specified in Annexes I and II of this Agreement, all prohibitions or restrictions in trade on the importation, exportation or sale for export between the Parties, other than customs duties, taxes, fees and other charges provided for under Article 7, whether made effective through quotas, import or export licences or other measures, shall be eliminated upon the entry into force of this Agreement. No new such measures shall be introduced".
EAC-EU EPA Article 17: 'Prohibition of Quantitative Restrictions'. 1. "Unless otherwise provided in this Agreement, all prohibitions or restrictions on the importation, exportation or sale for exports between the Parties, other than customs duties, taxes, fees and other charges provided for under Article 6, whether made effective through quotas, import or export licenses or other measures, shall be eliminated upon the entry into force of this Agreement. No new such measures shall be introduced in trade between the Parties. The provisions of this Article shall be without prejudice to the provisions of Title IV of this Chapter. 2. The provisions of paragraph 1 of this Article shall not extend to the following: (a) Export prohibitions or restrictions temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting contracting party; (b)Import and export prohibitions or restrictions necessary to the application of standards or regulations for the classification, grading or marketing of commodities in international trade"
West Africa-EU EPA DRAFT JOINT TEXT February 2014 Article 34: 'Prohibition of quantitative restrictions' "Upon entry into force of this Agreement, all prohibitions or restrictions on imports or exports affecting trade between the two Parties shall be removed, apart from the customs duties, taxes, fees and other charges referred to in Articles 7 and 8 of Chapter 1 on customs duties, whether implemented through quotas, import or export licences or through other measures. No new measure shall be introduced. The provisions of this Article shall be without prejudice to the provisions concerning trade defence instruments and balance of payments".
Central Africa-EU EPA (November 2008 text) Article 22: 'Prohibition of quantitative restrictions' "Upon entry into force of this Agreement, all prohibitions or restrictions on imports or exports affecting trade between the two Parties shall be eliminated, apart from the customs duties, taxes, fees and other charges referred to under Article 18 of this Chapter, whether made effective through quotas, import or export licenses or other measures. No new measures may be introduced. The provisions of this Article shall apply without prejudice to the provisions of the Chapter of this Agreement on trade defence instruments".