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«THE AfCFTA, THE SPAGHETTI BOWL EFFECT AND LUSOPHONE AFRICAN COUNTRIES»

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Zambia was the latest country to ratify the **African Continental Free Trade Agreement (AfCFTA)** on 6 February, roughly one month after trading under the treaty officially commenced on 1 January 2021.

The AfCFTA has the potential to be an inspiring game changer. According to the United Nations Conference on Trade and Development (UNCTAD), during the period 2015-2017 Africa accounted for just 2% of global trade and only 17% of African exports were intra-continental, compared with 59% for Asia and 68% for Europe (https://unctad.org/press-material/facts-figures-0).

As the world's largest regional trading arrangement by membership (54 countries), the AfCFTA proposes to connect over 1.2 billion people with a combined gross domestic product (GDP) of about $ 2.5 trillion. According to UN estimates, Africa's population is expected to double to about 2.6 billion by 2050 (https://population.un.org/wpp/Publications/Files/WPP2019_Highlights.pdf), adding a significant number of new potential consumers to a market hungry for economic development and improvement of living conditions. The potential for transformation across Africa is therefore immense.

One of the immediate challenges on implementation of the AfCFTA is how the liberalization of trade is actually going to take place under the treaty. The vast majority of African states already belong to several free trade areas, which have different tariffs, rules of origin and standards. The AfCFTA will not replace Africa's existing free trade agreements, with the treaty expressly recognizing the existence of 8 Regional Economic Communities (RECs), deemed as "building blocks" for the AfCFTA, which vary from extremely liberalized regions like the Southern African Development Community (SADC), which has already liberalized 90% of its internal trade, to the *Union du Magreb Arabe* (UMA) where liberalization is almost irrelevant. The image of a "spaghetti bowl", often

used to illustrate the situation where too many crisscrossing and unaligned free trade agreements can lead countries to adopt discriminatory trade policies and reduce the economic benefits of free trade, may well summarize what can happen with the AfCFTA if adequate harmonization and mitigation measures are not implemented.
Let's take into consideration, for the purposes of illustration, the small sample of Lusophone countries in Africa. **Cape Verde** and **Guinea-Bissau** are members of the *Economic Community of West African States (ECOWAS)* – which includes Benin, Burkina Faso, Côte d'Ivoire, Gambia, Ghana, Cabo Verde, Guinea, Guinea-Bissau, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo and Liberia - that has already achieved deeper integration and adopted the Ecowas Common Tariff Schedule describing 5 categories of goods: basic social goods (0% rate); raw goods and capital goods (5%); input and semi-finished goods (10%); finished goods (20%) and specific goods for economic development (35%). Guinea-Bissau and Cape Verde are also members of the Community of Sahel-Saharan States (CEN–SAD), another one of the 8 RECs considered by the AfCFTA. However, CEN-SAD does not have a customs union or a free trade agreement in place. It is worth noting though that Guinea-Bissau and Cape Verde are 2 of the 18-member States that are yet to comply with the AfCFTA's ratification requirement. In turn, **São Tomé e Príncipe** is an observer member of the Economic and Monetary Community of Central Africa (CEMAC), a member of the Economic Community of Central African States (ECCAS) and ratified the AfCFTA in June 2019.
In addition to the Global System of Trade Preferences among Developing Countries (GSTP), **Mozambique** is a party to 3 Regional Trade Agreements which result in an effective preferential trade treatment: the SADC Free Trade Area which has been in force since 2000 and is reflected in the domestic Customs Tariffs Schedule approved in 2016, as amended in 2017 (with separate columns for trade with South Africa and trade with the other countries within the SADC); the EU – SADC Free Trade Agreement in force since 2016 and also contemplated in domestic legislation; and, the recently approved Economic Partnership Agreement between the United Kingdom and Northern Ireland, the Southern African Customs Union (SACU) and Mozambique, which entered into force on 1 January 2021. Mozambique signed the AfCFTA but publicly available information suggests that ratification may be delayed given, notably, the need for the country to conduct prior further reforms within the context of the free trade area of the SADC.
Finally, at a regional level **Angola** joined the SADC Free Trade Area in June 2019 and signed and ratified the AfCFTA respectively in March 2018 and October 2020. Angola has also been discussing pursuing customs agreements with its neighboring countries of Namibia, Zambia, and the Democratic Republic of Congo. At this moment, Angola is preparing to apply preferential rates under the SADC Protocol on Trade (1996, as amended in 2010) and the AfCFTA. Negotiations are still ongoing but additional columns have already been introduced in the domestic Customs Tariff Schedule approved in November 2019 - column 5 (SADC) and column 6 (AU) – to include those preferential duties rates.
The secret to successful trade partnerships and increased prosperity lies in harmonizing these different existing frameworks, and mitigating any distortions that may arise.
There are many good reasons for African countries to embrace the AfCTFA, and to endeavor their very best efforts to implement its provisions. This is even more pressing in the context of the current pandemic crisis, with some estimates suggesting that Africa will continue to suffer significant GDP losses during 2021 (estimated between $27.6 billion (baseline) and $47 billion (worst case), from the potential GDP of $2.76 trillion without the pandemic - *https://www.afdb.org/sites/default/files/documents/publications/afdb20-04_aeo_supplement_full_report_for_web_0705.pdf*), and countries looking for alternatives to the quickest recovery possible.
However long and intricate the journey may be, the AfCFTA brings a new dynamic and offers a fantastic opportunity for countries to expedite trade discussions inside Africa, without affecting existing agreements and the ability to conclude new agreements with third parties (like the EU). The important aspect to not lose sight of is that in order for all to benefit from the AfCFTA, its signatories have to be available to cooperate and deepen their trade relationships. Dealing with the spaghetti bowl effect may just be one of the necessary steps that have to be taken to make good on Africa's economic promise.