



AFRICAN CONTINENTAL FREE TRADE AREA

Why in news ?

Recently, the **African Continental Free Trade Agreement (AfCFTA)** for goods and services was signed at the **12th Summit of the African Union (AU)**, held at **Niamey**, the capital of the Niger Republic.

About AfCFTA

The African Union was founded as **the Organisation of African Unity in 1963**.

54 member states out of 55 signed the AfCFTA, while 27 countries ratified it.

The AfCFTA would be world's **largest FTA** as it would eventually create an **African Common Market** of 1.2 billion people and a **GDP of over \$3.4 billion** having a global impact.

It is to be **operational from July 2020**.

Strategic Significance

It may lead to a **60% boost in intra-African trade** by 2022. As African countries trade only about 16% of their goods and services among one another, compared to **65% with European countries**.

AfCFTA will bring the much-needed **formalisation in the African economy** with other benefits, such as improved quality and quantity of employment, increase in fiscal revenue and overall improvement in quality of life.

It will help African-owned companies to enter **new market**, increase their customer base and leads to **new products and services**, making investing in **innovation viable** allow.

Hurdles with AfCFTA

POLITICAL, ORGANISATIONAL AND LOGISTICAL CHALLENGES

National economies in Africa are **generally weak** with a low manufacturing base, lack of competitiveness and mutual complementarity.

Africa's **inherent sub-regional, administrative, bureaucratic logistical, connectivity** as well as **security challenges** and internal issues like decolonisation, underdevelopment, Islamic terrorism and the Arab Spring have stunted the integration and growth so far, and needs to be addressed in a more concerted manner.

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GLOBAL WORLD-ORDER CHALLENGES

The AfCFTA seems to be **counter cyclical** to the ongoing global protectionist trends as seen in the U.S.-China trade conflict, Brexit and the stalemates at the WTO.

It might start a new race for Africa. China has already taken a significant lead through decades of concerted engagement with the African countries, chequebook diplomacy and by fast delivery of projects.

The western countries especially the US are trying to catch up by containing China and possibly Russia through a **'containment of influence' strategy**.

Japan, the biggest ODA provider, is also keen to expand and work with India both in private and public sector projects under the aegis of **Asia Africa Growth Corridor (AAGC)**.

Impact on India

India is **Africa's third largest trading partner** with total annual merchandise trade **estimated at \$70 billion** or nearly **a tenth of our global trade**.

After African economies become more formalised and transparent, local manufactured items and services may ultimately **compete with Indian exports**, Indian firms can co-produce them in Africa.

The AfCFTA may open **new opportunities for Indian stakeholders** in fast-moving consumer goods manufacturing, connectivity projects and in framing policies for/like competition policy, intellectual property rights, common external tariffs etc

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