

## **African Continental Free Trade Agreement**

### **What is the news?**

African Union (AU) members have signed the African Continental Free Trade Agreement (AfCFTA) for goods and services at the 12th AU Summit.

### **What is the situation?**

- Of the 54 countries that have signed AfCFTA, 27 have ratified it.
- Actual cross-border free trade could start by July 2020.
- The AfCFTA would be world's largest FTA.
- This would create an African Common Market of 1.2 billion people and a GDP of over \$3.4 billion - metrics are comparable to India's.

### **What are the hurdles?**

- AU's ineffectiveness - in dealing with the continent's myriad problems such as decolonisation, underdevelopment, etc.,
- The AU's grand plans have been spectacular flops, so may be the AfCFTA.
- Political, organisational and logistical challenges to the AfCFTA - the national economies in Africa are weak with a low manufacturing base.
- They also lack competitiveness and mutual complementarity.
- Countercyclical attitude of the AfCFTA towards the ongoing global protectionist trends as seen in the U.S.-China trade conflict, Brexit, etc.
- Reversal of globalisation - Commodity prices are stagnant and globalisation

is often being reversed.

- With Africa accounting for only 3% of global trade, there's a question whether the AfCFTA can defy the contrarian global tendencies.

### **What are the reasons to be optimistic?**

- There are strong global headwinds like cooling Chinese ardour for Africa, greater collective self-reliance through African economic integration makes eminent sense.
- The AU Commission has prepared an extensive road map towards the AfCFTA with the preliminary work on steps such as tariff reduction, elimination of non-tariff barriers, etc.,
- The logistical and financial networking challenges across the continent can be overcome with stronger political will.
- Informal trade across national borders is already a fact of African life.
- So, by adopting the AfCFTA, African leaders are only following the economic logic.
- There is a surge in consumer base, it would make the proposed AfCFTA even more important.

### **What is the Indian angle?**

- Africa is India's important economic partner with nearly a 10th of our global trade.
- India is Africa's third largest trading partner. India's exports to Africa have upwarded recently.
- India needs to anticipate the AfCFTA's likely impact on its interests and try to influence it to enhance India-African economic ties.

- African economies becoming more formalised and transparent would be in India's interest.

### **What India can do?**

- India can help the AU Commission prepare the requisite architecture.
- It can also identify various African transnational corporations which are destined to play a greater role in a future continental common market and engage with them strategically.
- Therefore, the cross-linkages of a three million strong Indian diaspora spread across Africa can also be very valuable.

**Source: The Hindu**

### **Quick Facts**

#### **African Union**

- The African Union (AU) is a continental body consisting of the 55 member states that make up the countries of the African Continent.
- It was officially launched in 2002
- It is successor to the Organisation of African Unity (OAU, 1963-1999).
- Vision - An Integrated, Prosperous and Peaceful Africa, driven by its own citizens and representing a dynamic force in the global arena.