

Africa's Investment Trend in AfCFTA era

The African Continental Free Trade Area (AfCFTA) is a groundbreaking initiative that brings together 55 countries of the African Union (AU) along with eight Regional Economic Communities (RECs). Its overarching goal is to establish a single continental market encompassing approximately 1.3 billion people and a combined GDP of around US\$ 3.4 trillion. The Africa Continental Free Trade Area (AfCFTA) is the initial form of regional economic integrations (RECs). In the Free Trade Areas (FTAs) all the barriers to trade in goods and services among the partner countries are removed. No discrimination policy is adopted in tariffs, quotas, subsidies, or administrative impediments to trade between countries. AfCFTA is also the same step as any other FTAs in other parts of the world. AfCFTA promotes a single market or common market in which free movement of human and capital resources. It also facilitates industrial development between the African countries. The Idea of AfCFTA was first signed in Kigali in 2018 at the African Union Summit. Out of 55 African states, 54 signed the agreement in December 2023 and 47 countries ratified it. It is the largest trade bloc in the world. The first phase of the AfCFTA Agreements is under review from 2019 to 2024. Under the current agreement around 45 tariffs and 22 service schedules.

Africa is the home of the fastest-growing economies in the world. But still, Africa has traditionally lagged behind other regions in attracting Foreign Direct Investment (FDI) flows into the continent. On average around 3.5 per cent of world FDI flows Africa has received in UNCTAD data. The reason behind this is that earlier Africa's raw materials and natural resources were extracted and exported by European colonial powers. And imported at a higher cost in the form of value-added goods to African countries. The AfCFTA's implementation investors are seeking new opportunities spanning economic sectors and national borders. There is an increase in foreign greenfield projects in Africa mostly in the food and agricultural sector by providing new opportunities for investment in agri-food value chains across Africa as incomes and populations continue to rise.

Historically, FDI was concentrated in two subregions: Northern Africa and Southern Africa. Together, these subregions accounted for almost 80 per cent of Africa's inward FDI flows. Over the period, FDI flows to Northern and Southern Africa declined, while flows to Middle Africa

increased slightly. AfCFTA may further enable multiple African subregions to benefit from investments through regulatory harmonization across countries, reductions in cross-border transaction costs, and broader intra-Africa market access. Among the top 30 African destinations for FDI, the countries with the highest FDI Inwards are South Africa, Egypt, Nigeria, Morocco and Mozambique in 2022 data. And the same story in the case of trade. World Bank also estimated that AfCFTA could increase the Total export of Africa to the rest of the world by 32 per cent by 2035 and accelerate the foreign direct investment in African countries. The idea of vertical integration of African Countries partnering through the AfCFTA agreement could be a game changer in fostering economic development and delivering a favourable investment climate to foreign investors.

***Views are personal**



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About

The Department of African Studies has launched an initiative called "**Scholars on Africa**" with the primary objective of promoting the research ideas of scholars and faculty members on current happenings and contemporary issues related to the African continent. This initiative serves a dual purpose, as it not only facilitates academic exploration but also provides valuable insights to the policymakers of India on matters concerning Africa. By actively engaging with scholars and faculty members, the initiative aims to foster a better understanding and relationship between India and Africa, bridging the gap between the two worlds.

Under the "Scholars on Africa" initiative, Scholars of the Department of African Studies are encouraged to contribute write-ups on various African issues, not exceeding 300 words in length. It is noteworthy that these write-ups will be forwarded by any faculty members of the Department. These write-ups serve as a platform for scholars to express their personal views and insights on a diverse range of topics, including History, Politics, economics, culture, and social issues prevalent in Africa.