

# 'Local currency makes trade more efficient'

Dwelling on the RBI's announcement of a mechanism to settle international trade in rupees, **WAMKELE MENE**, Secretary General, the African Continental Free Trade Area (a free trade area encompassing most of Africa) tells **Shreya Nandi** in an interview that using local currency makes trade more efficient, affordable and accessible and can help both India and Africa. There are investment opportunities in the pharmaceuticals, auto sector, and agro processing space in Africa that can be tapped, Mene said at the sidelines of the 17th CII-Exim Bank conclave. Edited excerpts:

## What steps can be taken to boost trade between India and the African region?

There are opportunities for accelerated investment in pharmaceuticals, auto, and agro processing to drive the industrialisation that we want to see. Take pharmaceuticals. In 2019, Africa imported \$16 billion worth of pharma products. The components used to make these pharmaceutical products in Africa are mainly agricultural based. So clearly, there is an opportunity for further investment in pharmaceuticals, particularly the generic drug industry.

The second area is the automotive sector. The continent, which has about 1.3 billion people, produces 830,000 vehicles a year. India produces 5 million vehicles a year

with a similar population. You can see the huge gap that exists between the two regions in terms of capacity. So there is a clear opportunity for Indian companies to invest in Africa's automotive sector and components industry.



## WAMKELE MENE

Secretary-General,  
African Continental  
Free Trade Area  
Secretariat

**As far as overall commerce with the African continent is concerned, India's bilateral trade is limited to a few countries. Is there any plan to increase trade from other nations?**

The bilateral relations that some African countries have with India will obviously continue. However, the AfCFTA is concerned about the market as a whole and wants to see investments throughout the AfCFTA market. With the establishment of a free

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trade area, smaller countries and other nations that weren't part of this trading ecosystem can now become part of the regional value chain that we have established. We can see more investments coming into those countries from, say, an Indian company that wants to take advantage of the AfCFTA market, establish in a relatively smaller economy but still have access to the entire AfCFTA network. There are opportunities even for smaller economies to be part

of the investment value chains throughout Africa.

**Last week, the Reserve Bank of India announced a mechanism to settle international trade in rupees. Do you think it's a good idea to trade in local currency?**

We launched a pan-African payments and settlement system this year, which will facilitate trade

using local currencies. There are 42 currencies in Africa. We have to use a third currency for trade, which is usually the dollar—and it comes at a cost. So we have to overcome that challenge by introducing a digital payment system that will enable payment in local currency and facilitate trade between Africa and India using that local currency. I think it is a very good thing for India and Africa, and it's possible because we've done it in Africa before. It is just a question of integrating our payment systems to make trading easier.

## What opportunities are there for India in the services trade?

I see opportunities in financial services. AfCFTA is creating an open market. For example, in financial services, we will now have more foreign banks coming in and investing their capital in financial technologies across a range of areas.

There are opportunities in consultancy services, in manufacturing. I think that we will see even greater enhancement of opportunities for Indian investors in the next few years.

