

Africa free trade agreement: Is it a panacea to African growth and development?

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Abstract

Background: The African Continental Free Trade Area (AfCFTA), established in 2018 and operational since 2021, aims to deepen economic integration across Africa, creating a single market of over 1.4 billion people with a combined GDP exceeding \$3.4 trillion. It is seen as a transformative initiative to boost industrialization, intra-African trade, and economic growth.

Objectives: This paper critically examines whether AfCFTA can address Africa's persistent development challenges, including economic fragmentation, dependency on external markets, and structural underdevelopment.

Methodology: Using a multidisciplinary framework (economic integration theory, endogenous growth theory, and political economy of development), the study employs qualitative and empirical analyses, reviewing literature, policy documents, and economic indicators from regional and international institutions.

Findings: AfCFTA holds immense promise in expanding markets, reducing trade barriers, and fostering value chain development. However, challenges such as infrastructural deficits, non-tariff barriers, limited institutional capacity, and uneven readiness among member states hinder progress. Case studies reveal early successes but also emerging obstacles.

Implications and Conclusion: AfCFTA is not a silver bullet but a strategic platform that, with political will, policy coherence, and infrastructure investment, could catalyze sustainable growth. Policy recommendations include capacity building, harmonizing trade regulations, and inclusive development strategies to ensure equitable benefits across Africa

Keywords: Africa Free trade agreement; Panacea; Growth; Development

1. Introduction

Africa's pursuit of regional integration has long been regarded as a strategic imperative for achieving sustainable economic growth and development. Despite its rich endowment of natural resources, a burgeoning youthful population, and expanding urban markets, Africa remains one of the least integrated continents in terms of trade and economic cooperation. Intra-African trade accounts for less than 20% of total trade, compared to 60% in Europe and 40% in North America (UNCTAD, 2021). Against this backdrop, the African Continental Free Trade Area (AfCFTA), launched in January 2021, emerges as a potentially transformative initiative aimed at addressing historical trade barriers, promoting economic diversification, and unlocking the continent's growth potential.

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The AfCFTA, established under the auspices of the African Union (AU), seeks to create a single market for goods and services across 54 of the 55 African Union member states, covering a population of over 1.4 billion people and a combined GDP of approximately \$3.4 trillion (World Bank, 2020). Its key objectives include eliminating tariffs on 90% of goods, reducing non-tariff barriers, facilitating the movement of people and capital, and enhancing cooperation on investment, intellectual property, and competition policy. Proponents argue that AfCFTA has the potential to foster structural transformation, industrialization, and poverty reduction by enabling African countries to trade more with each other rather than relying predominantly on external partners (UNECA, 2020).

However, despite the widespread optimism surrounding the AfCFTA, significant questions remain regarding its viability as a panacea for Africa's longstanding development challenges. While trade liberalization can stimulate economic activity, it is not inherently developmental unless accompanied by complementary policies and institutional reforms. Many African countries continue to grapple with weak infrastructure, limited productive capacity, policy incoherence, and governance deficits—factors that may undermine the agreement's effectiveness (Signé and van der Ven, 2020). Moreover, disparities in economic size, technological capabilities, and levels of development among African states pose risks of uneven gains and increased inequality unless mechanisms for inclusive implementation are put in place. The theoretical justification for the AfCFTA rests on classical and modern trade theories, including the principle of comparative advantage and the endogenous growth model. The classical perspective suggests that by specializing in the production of goods in which they hold a comparative advantage, African countries can enhance efficiency and mutually benefit from trade. Endogenous growth theory further posits that trade openness can lead to knowledge spillovers, innovation, and increased productivity, especially when combined with investment in human capital and infrastructure (Romer, 1994). From a political economy lens, regional trade agreements such as AfCFTA can strengthen collective bargaining power, reduce external dependence, and enhance geopolitical leverage for African countries in the global economic system (Mattli, 1999).

Nevertheless, these theoretical benefits are contingent on practical implementation. The structural challenges that have historically impeded Africa's regional integration—such as poor transport networks, weak customs systems, and fragmented regulatory frameworks—still persist. In addition, political will among member states varies, and protectionist tendencies remain prevalent, threatening the full realization of the agreement's potential. Without deliberate efforts to harmonize trade policies, build infrastructure, and support small and medium enterprises (SMEs), AfCFTA may fall short of its ambitious goals (Luke and MacLeod, 2021). The global context also adds a layer of complexity. The COVID-19 pandemic disrupted global supply chains and trade flows, exposing the vulnerability of African economies that heavily depend on external markets. In this context, AfCFTA offers a timely opportunity to recalibrate Africa's development trajectory towards self-reliance and resilience by boosting intra-continental trade and reducing external shocks. However, it also underscores the urgency of investing in health, logistics, and digital infrastructure to facilitate trade under the new normal (IMF, 2021).

This paper seeks to critically examine whether the AfCFTA can serve as a panacea for Africa's growth and development. It explores the agreement's potential benefits, the institutional and infrastructural constraints facing implementation, and the socio-economic implications for various African countries and regions. By analyzing empirical data, theoretical perspectives, and case studies, the study aims to provide a balanced assessment of the AfCFTA's role in shaping Africa's development path. The central research question guiding this inquiry is: Can the AfCFTA realistically function as a catalyst for sustainable and inclusive growth in Africa, or is it an overly ambitious project constrained by structural and political realities? In answering this question, the paper adopts a multidisciplinary approach, drawing on economics, political science, and international development literature to offer nuanced insights. Ultimately, the study argues that while the AfCFTA is not a cure-all solution, it constitutes a critical step towards achieving Africa's long-term development aspirations—provided that it is implemented with strategic coordination, robust institutions, and inclusive policies.

2. Literature Review

The African Continental Free Trade Area (AfCFTA) has become a focal point in contemporary discussions on Africa's economic transformation and development. Scholars, policy institutions, and international organizations have examined its potential to reshape the continent's trade landscape, with some viewing it as a critical milestone towards achieving Agenda 2063 and the Sustainable Development Goals (SDGs), while others caution against overestimating its transformative capacity without addressing structural impediments. This literature review synthesizes the main perspectives, debates, and empirical findings on AfCFTA's developmental prospects, organized under key thematic areas.

2.1. Regional Integration and Economic Growth in Africa

The economic rationale for regional integration in Africa is rooted in the continent's historical underperformance in intra-regional trade. According to UNCTAD (2021), intra-African exports account for less than 20% of total exports, in contrast to 60% in the European Union and 40% in North America. Scholars argue that the fragmentation of African markets, characterized by small national economies and high trade barriers, has hindered growth and constrained economies of scale (Elbadawi et al., 2020). Regional integration, in this context, is seen as a strategy to expand markets, stimulate industrial development, and attract investment.

Several studies confirm that trade integration is positively correlated with economic growth, especially in developing regions. For instance, Venables (2003) emphasized that regional trade agreements (RTAs) among developing countries can generate dynamic gains by fostering competitive industries and regional value chains. Similarly, UNECA (2020) contends that AfCFTA could raise intra-African trade by over 50% by 2040, provided non-tariff barriers are reduced and trade facilitation measures are implemented. These projections suggest that AfCFTA, if effectively operationalized, could catalyze growth across member states.

2.2. AfCFTA and structural transformation

A central argument in the literature is that AfCFTA offers a pathway to structural economic transformation—shifting from resource-dependent economies to diversified, value-added production. Signé and van der Ven (2020) argue that by reducing trade costs and tariffs, AfCFTA can stimulate the development of regional value chains, particularly in manufacturing, agro-processing, and pharmaceuticals. This potential is critical in addressing Africa's industrialization deficit, where manufacturing contributes less than 15% to GDP in many countries (Rodrik, 2016).

Furthermore, the AfCFTA framework emphasizes harmonization of standards, liberalization of services, and investment facilitation—all of which are conducive to productive transformation. The World Bank (2020) projects that by 2035, the agreement could lift 30 million people out of extreme poverty and boost incomes by \$450 billion if implemented fully. The mechanisms include tariff elimination, improved efficiency at borders, and increased competition and innovation due to expanded markets.

Nonetheless, critics caution that structural transformation is not automatic and requires strong complementary policies. As Te Velde (2018) notes, the presence of a trade agreement alone does not guarantee industrialization unless supported by industrial policy, human capital development, and infrastructure. In the African context, the implementation of such supportive policies is often constrained by weak institutions, fiscal limitations, and governance challenges.

2.3. Institutional and Infrastructure Constraints

A recurring theme in the literature is the mismatch between AfCFTA's ambitious objectives and the continent's limited implementation capacity. Infrastructure bottlenecks—such as poor road networks, inadequate rail connectivity, and inefficient ports—continue to raise the cost of doing business in Africa (AfDB, 2021). These limitations significantly affect the flow of goods and services, reducing the expected gains from trade liberalization.

Furthermore, many African countries face weak customs systems, limited digital infrastructure, and inconsistencies in regulatory frameworks. Luke and MacLeod (2021) observe that effective implementation of AfCFTA requires substantial investment in trade facilitation measures, including digital platforms for customs clearance, harmonized rules of origin, and capacity building for trade-related institutions. Without addressing these issues, the benefits of AfCFTA may be confined to a few countries with relatively developed trade systems.

The political economy of integration also poses challenges. Regional integration efforts in Africa have historically been undermined by protectionism, sovereignty concerns, and overlapping memberships in multiple regional blocs (Hartzenberg, 2011). Although AfCFTA aims to consolidate these efforts under a single continental framework, divergent national interests and inconsistent commitment levels could impede progress.

2.4. Inequality, Inclusivity, and Distributional Effects

Another strand of literature interrogates the distributional implications of AfCFTA. While macroeconomic projections paint a positive picture, the gains are unlikely to be uniform across countries, sectors, or population groups. Smaller and less diversified economies may struggle to compete with more industrialized counterparts like South Africa, Nigeria, or Egypt (Bouët et al., 2020). Similarly, without safeguards, trade liberalization could expose vulnerable sectors to competition, leading to job losses and social dislocation.

Gender and youth dimensions are particularly salient. Women and youth constitute a large share of informal cross-border traders in Africa, yet they face significant barriers, including harassment, lack of financing, and limited access to information. AfCFTA has provisions for gender and youth inclusion, but implementation remains vague (Luke and MacLeod, 2021). Empirical studies suggest that deliberate measures—such as targeted training, access to credit, and support for informal traders—are essential to ensure equitable participation.

Moreover, the digital divide and skills gap may exacerbate inequality if AfCFTA's benefits accrue mainly to capital-intensive sectors or technologically advanced firms. The World Bank (2020) emphasizes the need for complementary social policies, including education, health, and social protection systems, to cushion potential adjustment costs and enable broad-based participation in trade gains.

2.5. COVID-19, External Shocks, and Resilience

Recent literature also considers the impact of global shocks—particularly the COVID-19 pandemic—on the trajectory of AfCFTA. The pandemic exposed Africa's vulnerability to external disruptions, with lockdowns and supply chain interruptions severely affecting trade and production. In this context, AfCFTA is viewed as an opportunity to build economic resilience by boosting intra-African trade and reducing dependence on distant markets (IMF, 2021).

According to Banga and te Velde (2020), regional value chains in essential sectors such as food, pharmaceuticals, and digital services could benefit from AfCFTA, fostering self-sufficiency and job creation. However, the pandemic also delayed negotiations on key protocols and diverted government attention to crisis management. Rebuilding momentum requires renewed political commitment and investment in critical infrastructure.

The literature highlights that AfCFTA's long-term success hinges on integrating it with Africa's broader development agenda. This includes aligning AfCFTA with climate goals, food security strategies, and digital transformation initiatives (UNECA, 2020). Such integration would enhance policy coherence and maximize developmental synergies.

2.6. Summary of Literature Review

The literature on AfCFTA is generally optimistic about its potential to drive Africa's economic growth and transformation. The agreement is recognized as a landmark initiative capable of overcoming trade fragmentation, enhancing industrial capacity, and improving Africa's position in global trade. However, scholars consistently emphasize that AfCFTA is not a standalone solution. Realizing its potential requires robust implementation mechanisms, infrastructure investment, inclusive policies, and institutional reforms. Without these, the AfCFTA may fall short of its promises, reproducing existing inequalities and leaving behind the most vulnerable economies and populations.

3. Theoretical framework

To critically assess whether the African Continental Free Trade Area (AfCFTA) is a panacea for Africa's growth and development, this study is grounded in a multidisciplinary theoretical framework that draws on classical trade theory, endogenous growth theory, new institutional economics, and regional integration theory. These perspectives offer insights into the potential mechanisms through which AfCFTA may influence economic outcomes across the continent, as well as the limitations that may impede its effectiveness.

3.1. Classical Trade Theory and Comparative Advantage

At the heart of trade liberalization is the classical theory of comparative advantage, introduced by David Ricardo. This theory posits that countries gain from trade by specializing in the production of goods in which they have a relative efficiency advantage and trading for goods they produce less efficiently (Ricardo, 1817/2004). Applied to Africa, this theory suggests that by removing tariffs and trade barriers under AfCFTA, countries can allocate resources more efficiently and increase productivity.

For example, Kenya might focus on agricultural exports, while South Africa emphasizes manufactured goods, and Ghana capitalizes on cocoa processing. Through trade, each country can benefit from specialization and increased market access. However, critics argue that comparative advantage often locks developing economies into low-value primary commodity production, reinforcing structural dependency (Chang, 2002). Therefore, while useful in explaining the basis for trade, comparative advantage must be supplemented with strategies that promote economic diversification and technological upgrading.

3.2. Endogenous Growth Theory

The endogenous growth theory, particularly advanced by Romer (1994), posits that economic growth results from internal factors such as human capital development, innovation, and knowledge spillovers, rather than external forces alone. Within this framework, trade openness can serve as a catalyst for growth by facilitating the diffusion of technology, attracting foreign direct investment (FDI), and encouraging competition and efficiency.

In the context of AfCFTA, endogenous growth theory provides a strong rationale for why reducing trade barriers could stimulate innovation and productivity. By creating a large, integrated market, AfCFTA can attract investment in sectors such as manufacturing, pharmaceuticals, and digital services—industries that benefit from economies of scale and knowledge sharing (UNECA, 2020). However, this theory also highlights the importance of complementary policies, such as investment in education, infrastructure, and research and development (RandD), to fully realize the growth potential of trade liberalization.

3.3. New Institutional Economics (NIE)

New Institutional Economics emphasizes the role of institutions—both formal (laws, regulations) and informal (norms, customs)—in shaping economic performance (North, 1990). NIE argues that market efficiency is not automatic but depends on the quality of governance, enforcement of contracts, and protection of property rights. For AfCFTA to deliver meaningful development outcomes, strong institutions are required to manage trade disputes, enforce trade rules, and coordinate regional policies.

Weak institutions are a major challenge in many African countries, manifesting in corruption, regulatory inconsistencies, and limited enforcement capacity. As such, institutional quality is a critical mediating factor in determining whether AfCFTA will foster inclusive development or deepen existing inequalities. According to Acemoglu and Robinson (2012), inclusive institutions that promote broad-based participation and protect individual and commercial rights are essential for sustainable development. This underscores the need for building institutional capacities at both national and regional levels as part of AfCFTA implementation.

3.4. Regional Integration Theory

Regional integration theory, particularly as articulated by Balassa (1961), provides a framework for understanding the different stages and forms of economic cooperation among countries—from preferential trade areas to full economic unions. AfCFTA represents a move from fragmented regional blocs toward a broader, continent-wide integration. The theory suggests that such integration can lead to increased intra-regional trade, industrial development, and collective bargaining power in global markets.

In the African context, regional integration also serves political and strategic goals. It fosters solidarity, reduces dependence on former colonial powers and external actors, and supports pan-African ideals. However, the neo-functional school of integration theory points to the role of supranational institutions in deepening integration through a process of spillover effects (Haas, 1958). AfCFTA's success will therefore depend not only on economic factors but also on the willingness of states to cede some sovereignty to continental institutions such as the AfCFTA Secretariat and the African Union Commission.

The literature also warns of the risks of asymmetric integration, where larger and more developed economies benefit disproportionately. This can generate tensions and undermine regional solidarity. Viner's (1950) theory of trade creation and trade diversion is relevant here, as it distinguishes between trade that enhances welfare (by replacing costly domestic production with cheaper imports from partners) and trade that reduces welfare (by diverting trade from more efficient external suppliers to less efficient regional partners due to preferential treatment). Policymakers must therefore design AfCFTA in ways that minimize trade diversion and maximize mutual benefits.

3.5. Political Economy of Trade Agreements

Lastly, the political economy approach emphasizes the role of power, interests, and institutions in shaping trade outcomes. According to Rodrik (2018), trade policy is the result of negotiations among interest groups, including businesses, labor unions, and governments. In Africa, powerful political elites and private sector actors may resist reforms that threaten their economic interests, even if such reforms benefit the broader economy.

Understanding the political economy of AfCFTA is essential for anticipating implementation challenges. For instance, rent-seeking behavior, protectionism, and bureaucratic inertia can delay tariff liberalization or undermine dispute

resolution mechanisms. Successful implementation will therefore require not only technical expertise but also political will, stakeholder engagement, and mechanisms for accountability.

This theoretical framework integrates insights from classical and contemporary economic theories to provide a comprehensive lens through which to analyze AfCFTA's developmental potential. Classical trade theory and endogenous growth theory explain the expected benefits of trade liberalization and innovation. New institutional economics highlights the role of governance and institutions, while regional integration theory frames the broader political and strategic context of continental cooperation. Lastly, political economy perspectives help unpack the power dynamics that may facilitate or hinder the agreement's implementation.

Together, these theories suggest that AfCFTA is not inherently a panacea for Africa's development challenges. Rather, its success depends on how effectively it is embedded within strong institutions, inclusive policies, and coordinated strategies that promote industrialization, social equity, and regional solidarity.

4. Methodology

This study adopts a qualitative research design, complemented by empirical analysis, to critically assess the potential of the African Continental Free Trade Area (AfCFTA) as a catalyst for Africa's growth and development. A qualitative approach is appropriate given the exploratory nature of the research, which seeks to understand the structural, institutional, and policy dynamics surrounding the implementation and impacts of AfCFTA (Creswell and Poth, 2018). The study relies on a combination of document analysis and secondary data review to provide a comprehensive examination of AfCFTA's framework, objectives, and emerging outcomes. Primary data sources include official policy documents and agreements from the African Union (AU), the African Continental Free Trade Area Secretariat, and the United Nations Economic Commission for Africa (UNECA). These are supplemented by trade and economic reports from the World Bank, International Monetary Fund (IMF), and United Nations Conference on Trade and Development (UNCTAD). Empirical trade indicators such as intra-African trade volumes, GDP growth rates, tariffs, and logistics performance indices are examined to evaluate AfCFTA's practical implications. The study employs thematic analysis to identify key opportunities and challenges associated with AfCFTA implementation. Themes include market integration, industrialization, non-tariff barriers, infrastructure, and institutional capacity. Case studies from selected African countries and regional blocs—such as ECOWAS, EAC, and SADC—are used to provide contextual insights and comparative perspectives. This methodology allows for an in-depth, context-sensitive understanding of how AfCFTA may contribute to or fall short of addressing Africa's developmental goals. By synthesizing theoretical insights with empirical evidence, the study aims to bridge the gap between policy aspirations and on-the-ground realities (Yin, 2018).

5. Opportunities presented by AfCFTA

The African Continental Free Trade Area (AfCFTA) presents a historic opportunity to transform Africa's economic landscape and accelerate inclusive development. As the largest free trade area in the world by number of participating countries, encompassing 55 members of the African Union (AU), the AfCFTA is projected to reshape the continent's trade dynamics by eliminating tariffs, reducing non-tariff barriers, and facilitating the movement of goods, services, people, and capital. This section explores the major opportunities the AfCFTA presents across five key domains: intra-African trade, industrialization, investment attraction, economic diversification, and geopolitical leverage.

5.1. Expansion of Intra-African Trade

One of the most immediate and tangible opportunities of AfCFTA is the expansion of intra-African trade. Currently, intra-African trade accounts for only about 15% of total African trade, compared to 60% in Europe and 40% in Asia (UNCTAD, 2021). By removing tariffs on 90% of goods and reducing non-tariff barriers, AfCFTA is expected to significantly boost trade among African countries.

The United Nations Economic Commission for Africa (UNECA, 2020) projects that the AfCFTA could increase intra-African trade by over 52% by 2025 if effectively implemented. This expansion would enable African countries to diversify their trade partners within the continent, reduce dependence on volatile global markets, and retain more value within the region. Enhanced trade connectivity will also benefit landlocked countries by providing access to coastal markets and regional hubs, thereby fostering inclusive economic participation.

5.2. Industrialization and Regional Value Chains

AfCFTA offers a unique platform for industrial development through the creation of regional value chains. Fragmented markets and limited economies of scale have long hindered Africa's industrial growth. By creating a single market of over 1.3 billion people with a combined GDP of over \$3.4 trillion, AfCFTA can attract investment in manufacturing, agro-processing, pharmaceuticals, and automotive industries (World Bank, 2020).

According to Signé and van der Ven (2020), regional value chains supported by AfCFTA can enable African countries to specialize in different segments of production, thereby moving up the value chain. For example, countries such as Côte d'Ivoire and Ghana, which are major cocoa producers, could process more of their cocoa into finished chocolate products instead of exporting raw beans. Similarly, textile and apparel value chains can link cotton producers in West Africa with manufacturing hubs in East Africa, increasing the continent's share in global trade.

The agreement also promotes harmonization of standards and trade facilitation measures, which are crucial for the interoperability of production systems. This integrated market could replicate the industrial successes observed in East and Southeast Asia, where regional production networks have played a critical role in development.

5.3. Investment Promotion and Private Sector Growth

The creation of a larger and more predictable market under AfCFTA provides a strong incentive for Foreign Direct Investment (FDI) and the growth of local enterprises. Investors are more likely to invest in countries that are part of stable and integrated markets due to lower transaction costs and broader consumer bases (Banga and te Velde, 2020). For African businesses, AfCFTA presents an opportunity to scale up operations, improve competitiveness, and access new customers beyond national borders.

The AfCFTA Protocol on Investment aims to create a conducive environment for both domestic and international investment by establishing rules that protect investors and encourage responsible business practices. Furthermore, the anticipated increase in demand for logistics, transportation, and digital infrastructure will spur growth in sectors that are key to the fourth industrial revolution (UNECA, 2020).

Small and medium-sized enterprises (SMEs), which account for over 80% of employment in Africa, stand to benefit from new market opportunities, especially if supported with access to finance, information, and capacity-building programs. The development of pan-African digital platforms, e-commerce solutions, and fintech innovations could further reduce barriers to entry for SMEs.

5.4. Economic Diversification and Resilience

Another critical opportunity lies in promoting economic diversification, particularly for resource-dependent economies. Many African countries rely heavily on the export of raw commodities, exposing them to external shocks and price volatility. AfCFTA encourages diversification by enabling countries to shift toward non-traditional exports and processed goods.

Diversification, in turn, increases economic resilience, which is especially important in light of recent disruptions such as the COVID-19 pandemic and global geopolitical tensions. According to the IMF (2021), intra-African trade is more diversified in terms of product categories than Africa's trade with the rest of the world. This makes regional trade less susceptible to global commodity cycles and offers a more stable path toward inclusive growth.

By connecting producers to larger regional markets, AfCFTA can stimulate innovation, encourage economies of scope, and facilitate knowledge spillovers. These dynamics can enhance productivity across sectors, including agriculture, services, and manufacturing.

5.5. Enhanced Geopolitical and Negotiation Leverage

Beyond economic gains, AfCFTA provides Africa with enhanced geopolitical leverage in global trade negotiations. As individual countries, African states often lack bargaining power in international forums. However, as a unified continental market, Africa can engage more effectively with global partners such as the European Union, China, the United States, and emerging economies (Luke and MacLeod, 2021).

A consolidated African voice can better defend the continent's interests in trade, climate change, digital governance, and intellectual property rights. Moreover, AfCFTA aligns with the broader goals of the African Union's Agenda 2063, which envisions a politically united and economically integrated continent. It also complements existing partnerships such as

the African Growth and Opportunity Act (AGOA) and the EU's Economic Partnership Agreements (EPAs), potentially replacing fragmented and unequal agreements with a more balanced and strategic framework.

The African Continental Free Trade Area presents a wide range of opportunities that, if effectively leveraged, could catalyze a new era of growth and development across the continent. By boosting intra-African trade, stimulating industrialization, attracting investment, promoting diversification, and enhancing Africa's geopolitical standing, AfCFTA offers a blueprint for self-sustaining development. However, the realization of these opportunities depends on comprehensive implementation, political will, institutional reforms, and inclusive strategies that ensure no country or social group is left behind.

6. Challenges and Limitations of AfCFTA

While the African Continental Free Trade Area (AfCFTA) presents immense opportunities for economic growth and integration, several significant challenges and limitations threaten its successful implementation and ability to serve as a panacea for Africa's development. These obstacles span across infrastructural deficits, institutional weaknesses, political economy dynamics, non-tariff barriers, unequal capacities among member states, and limited productive capacity.

6.1. Infrastructural and Logistical Deficiencies

A major challenge undermining AfCFTA's objectives is Africa's poor infrastructure, especially in transportation, energy, and digital connectivity. Intra-African trade is significantly hindered by the absence of efficient road networks, ports, and railway systems that facilitate the smooth movement of goods and services (UNECA, 2020). High transportation costs—estimated to be up to 75% higher than the global average—are a major deterrent to regional trade (World Bank, 2020).

Without substantial investments in cross-border infrastructure, particularly in landlocked countries, the AfCFTA may struggle to translate policy into practice. Furthermore, digital infrastructure gaps limit the growth of e-commerce and digital trade, both of which are increasingly vital for competitiveness.

6.2. Weak Institutional and Regulatory Capacity

The effectiveness of AfCFTA depends heavily on the strength of national and regional institutions, including customs authorities, regulatory agencies, and dispute resolution mechanisms. However, many African states suffer from weak governance structures, limited technical expertise, and corruption, which impede the enforcement of trade rules and undermine investor confidence (North, 1990).

For instance, inconsistent application of tariffs, delays at border posts, and lack of mutual recognition of standards and certifications can neutralize the benefits of formal liberalization. As UNECA (2020) notes, "AfCFTA implementation is not just a legal exercise but a deeply institutional one."

6.3. Non-Tariff Barriers (NTBs)

Although AfCFTA aims to eliminate tariffs on 90% of goods, non-tariff barriers remain a more complex and persistent issue. These include bureaucratic red tape, import licensing requirements, sanitary and phytosanitary restrictions, and rules-of-origin constraints. According to UNCTAD (2021), NTBs cost African economies more than tariffs and are often politically motivated or protectionist in nature.

The AfCFTA's Non-Tariff Barriers Reporting, Monitoring and Elimination mechanism is a step in the right direction, but its effectiveness depends on widespread usage, transparency, and enforcement.

6.4. Unequal Economic Capacities Among Member States

A major limitation is the heterogeneity of African economies. Countries such as Nigeria, South Africa, and Egypt have relatively developed industrial bases, while many others are fragile, conflict-affected, or heavily reliant on raw commodity exports. This asymmetry creates the risk that larger economies may disproportionately benefit from trade liberalization, exacerbating regional inequalities (Signé and van der Ven, 2020).

Smaller or less competitive economies may experience deindustrialization or trade diversion, especially if local firms are unable to compete with more efficient producers. To address this, the AfCFTA includes provisions for special and differential treatment, but their practical implementation remains uncertain.

6.5. Political Will and Protectionist Tendencies

The success of AfCFTA hinges on political commitment at both national and continental levels. However, entrenched protectionist tendencies, elite interests, and domestic political pressures often lead to reluctance in fully liberalizing sensitive sectors (Rodrik, 2018). Some countries have delayed ratification or implementation, while others selectively apply trade rules to shield domestic industries.

Moreover, overlapping memberships in multiple regional economic communities (RECs) with differing rules and agendas complicate harmonization efforts. As a result, the AfCFTA may face coordination challenges unless there is a coherent policy alignment and strong AU leadership.

6.6. Limited Productive Capacity and Value Addition

Africa's limited industrial and productive capacity is a structural constraint on the benefits of AfCFTA. Many countries lack the capital, technology, and skilled labor required to scale up production and compete regionally. Consequently, they risk becoming net importers within the free trade area, which could worsen trade imbalances and undermine local industries (Banga and te Velde, 2020).

Furthermore, without deliberate policies to support value addition and industrial upgrading, countries may remain trapped in low-value commodity exports. This reinforces a cycle of underdevelopment and limits the transformational potential of the AfCFTA.

While AfCFTA represents a monumental step toward continental economic integration, its success is not guaranteed. The realization of its full potential depends on addressing the deep-seated challenges of infrastructure, institutional capacity, economic disparities, and political commitment. AfCFTA is therefore not a panacea, but a powerful tool that must be complemented by sustained reforms, investment, and inclusive strategies to achieve broad-based African development.

7. Case Studies

Empirical evidence from African countries reveals how the African Continental Free Trade Area (AfCFTA) is beginning to influence trade dynamics, regional integration, and economic development. While full implementation remains in progress, select case studies from Ghana, Rwanda, Kenya, and South Africa demonstrate the potential and limitations of AfCFTA in practice. These examples highlight varied experiences based on political commitment, institutional readiness, infrastructure development, and industrial capacity.

7.1. Ghana: First Shipment Under AfCFTA

Ghana was among the first countries to operationalize AfCFTA by launching the first commercial shipment under the agreement in January 2021. Ghana Export Promotion Authority (GEPA) facilitated the export of locally manufactured goods to South Africa under AfCFTA preferences, marking a symbolic and strategic move toward intra-African trade (GEPA, 2021).

This case demonstrates Ghana's institutional readiness and commitment to AfCFTA. The country has invested significantly in trade facilitation infrastructure, including the establishment of the National AfCFTA Coordination Office and digitized port systems. According to Amoah and Assan (2022), Ghana's early engagement has increased awareness among exporters and created opportunities for small and medium-sized enterprises (SMEs) to enter regional markets. However, challenges remain, including limited production capacity and high transportation costs that hinder competitiveness.

7.2. Rwanda: Leveraging Regional Trade and Digital Integration

Rwanda has emerged as a model for leveraging regional integration through institutional reforms and innovation. As a landlocked country with a small domestic market, Rwanda sees AfCFTA as a critical pathway to economic diversification and export growth. The country has harmonized several trade regulations and actively participates in the African Trade Observatory, a platform that facilitates market information exchange across AfCFTA states (UNECA, 2020).

Rwanda's e-commerce and logistics sectors are expanding rapidly. Companies like Zipline and RwandaPost are examples of how digital infrastructure can overcome logistical bottlenecks in intra-African trade. Moreover, Rwanda's special economic zones (SEZs) and the Kigali Logistics Platform have attracted investors seeking access to AfCFTA markets (World Bank, 2022). Nevertheless, a study by Karuhanga (2021) notes that limited manufacturing capacity and regional trade imbalances may constrain long-term gains unless local industries are upscaled.

7.3. Kenya: Agricultural Trade and Regional Integration

Kenya's experience with AfCFTA centers on the expansion of agricultural and agro-processed exports. As a leading economy in the East African Community (EAC), Kenya views AfCFTA as an opportunity to deepen regional trade beyond EAC boundaries. In 2022, the Kenyan government identified over 14 priority products—including tea, coffee, cut flowers, and processed food items—for export under AfCFTA rules (Kenya Ministry of Trade, 2022).

The country's National AfCFTA Implementation Strategy emphasizes infrastructure development, trade finance access for SMEs, and the removal of non-tariff barriers. Empirical evidence shows that Kenya's trade with African partners such as Uganda, Rwanda, and Ethiopia has grown steadily due to regulatory alignment and better connectivity (Odhiambo, 2022). However, constraints such as corruption at border points and inadequate storage facilities still pose significant challenges to seamless trade.

7.4. South Africa: Manufacturing and Automotive Sector Integration

South Africa, with its diversified industrial base, stands to gain significantly from AfCFTA through increased access to regional markets for its manufactured goods, particularly in the **automotive sector**. The South African Automotive Master Plan 2035 envisions the continent as a growth frontier for vehicle exports, supported by regional value chains and standardized trade protocols (Naude, 2021).

South Africa already exports vehicles and components to countries like Namibia, Botswana, and Zimbabwe. Under AfCFTA, these trade flows could expand to new markets in West and East Africa. According to the Department of Trade, Industry and Competition (DTIC, 2021), efforts are underway to negotiate rules of origin favorable to industrialized economies. However, South Africa also faces competition from global players and internal pressures to protect domestic industries from cheap imports, which could affect its long-term commitment to full trade liberalization.

7.5. Comparative Insights: Emerging Patterns and Gaps

These case studies reveal several emerging patterns. First, countries with strong political will, institutional reform, and investment in trade infrastructure are reaping early benefits from AfCFTA. Second, regional trade expansion is occurring most rapidly in countries that integrate digital technology and logistics systems. Third, there is evidence of increasing participation of SMEs and new export sectors, although capacity constraints persist.

However, gaps remain. There is a lack of comprehensive trade data disaggregated by gender, region, and firm size, which limits empirical assessments of inclusivity. Furthermore, informal trade, which constitutes over 40% of intra-African trade, remains largely outside the AfCFTA framework, posing challenges for policy integration (UNCTAD, 2021).

Lastly, implementation remains uneven across member states. According to the African Trade Policy Centre (ATPC, 2023), less than half of AfCFTA member countries had developed national implementation strategies by 2022. This suggests that without stronger coordination, the full benefits of AfCFTA may accrue only to early adopters, exacerbating existing inequalities among African economies.

7.6. Summary

Empirical evidence from Ghana, Rwanda, Kenya, and South Africa shows that AfCFTA has already begun to reshape trade patterns, foster regional integration, and stimulate industrial activity. However, the benefits are uneven and depend heavily on infrastructure readiness, political commitment, and industrial capacity. These case studies affirm the transformative potential of AfCFTA while also underscoring the need for inclusive, coordinated, and evidence-based implementation strategies.

8. Discussion

The African Continental Free Trade Area (AfCFTA) represents a historic and ambitious step toward economic integration and development across the continent. The empirical and theoretical evidence presented in this study

underscores that while AfCFTA offers substantial potential for growth, industrialization, and trade diversification, the realization of these benefits is contingent upon addressing several structural and institutional challenges.

One of the most compelling themes emerging from the analysis is that AfCFTA is not a panacea in and of itself. As Rodrik (2018) emphasizes, trade liberalization alone is insufficient to produce sustainable development outcomes unless it is supported by complementary policies such as infrastructure development, institutional reform, and inclusive industrial strategies. Countries like Ghana and Rwanda demonstrate that with strong political will, institutional alignment, and digital innovation, AfCFTA can become a viable platform for expanding intra-African trade and supporting SMEs (Amoah and Assan, 2022; Karuhanga, 2021). However, these benefits are not automatically distributed across the continent.

The discussion also reveals deep asymmetries in capacity and preparedness among African countries. South Africa's well-developed industrial base positions it as a potential leader in AfCFTA trade, particularly in sectors like manufacturing and automotive exports (Naude, 2021). In contrast, countries with weak industrial capacity or heavy reliance on commodity exports may struggle to benefit meaningfully from liberalized trade unless targeted support measures are implemented (Banga and te Velde, 2020). This raises concerns about the possibility of regional imbalances and deepening economic inequality within the free trade zone.

Furthermore, the persistent presence of non-tariff barriers (NTBs), such as inconsistent customs regulations, poor transport networks, and limited access to trade finance, undermines the spirit of AfCFTA (UNCTAD, 2021). While the agreement provides for mechanisms to monitor and eliminate NTBs, their effectiveness depends on active enforcement and intergovernmental cooperation. Without addressing these "behind-the-border" constraints, tariff reductions alone will not significantly boost intra-African trade volumes.

From a theoretical standpoint, the discussion aligns with the New Regionalism Theory, which emphasizes the role of regional integration not just as an economic tool but also as a political and developmental strategy (Söderbaum, 2016). AfCFTA is part of a broader African agenda aimed at achieving self-reliance, reducing dependency on external markets, and enhancing regional solidarity. However, successful implementation requires harmonized strategies among member states and stronger AU leadership to coordinate diverse national interests.

Moreover, the importance of inclusivity cannot be overstated. There is limited evidence on how AfCFTA will affect informal traders, women-owned businesses, and rural communities. Given that informal cross-border trade accounts for more than 40% of intra-African commerce (UNECA, 2020), excluding these actors could limit the agreement's transformative potential. Therefore, policies must be inclusive and ensure that marginalized groups are integrated into formal trade mechanisms.

In conclusion, while AfCFTA presents a transformative opportunity for Africa's economic resurgence, it must be complemented by strategic, inclusive, and pragmatic policies. The agreement has laid the foundation, but sustained implementation, political commitment, and equitable capacity-building are essential for it to be the catalyst of genuine continental development.

9. Conclusion

The African Continental Free Trade Area (AfCFTA) has the transformative potential to drive economic growth, diversify trade, and deepen regional integration across Africa. As the world's largest free trade area, covering over 1.3 billion people and a combined GDP exceeding \$3.4 trillion, AfCFTA represents a significant step toward pan-African development (World Bank, 2020). Early evidence from countries such as Ghana, Rwanda, Kenya, and South Africa highlights positive trends in trade facilitation, export diversification, and industrial participation (Amoah and Assan, 2022; Karuhanga, 2021). However, persistent challenges—including infrastructure deficits, non-tariff barriers, weak institutional frameworks, and uneven economic preparedness—continue to impede its full potential (UNCTAD, 2021; Naude, 2021).

While AfCFTA is not a standalone solution to Africa's development challenges, it can serve as a powerful catalyst if integrated into broader, inclusive strategies. Structural constraints must be addressed to ensure that the benefits of trade liberalization are widely shared. Particular attention should be given to fostering the participation of small and medium enterprises (SMEs), women, youth, and informal traders, as their inclusion is critical for achieving equitable growth (UNECA, 2020). Without deliberate efforts to level the playing field, the risks of marginalization and uneven development could undermine AfCFTA's long-term success.

To maximize AfCFTA's impact, African governments and regional institutions must prioritize infrastructure development, particularly in transport, energy, and digital connectivity, to facilitate seamless cross-border trade. Strengthening institutional capacity—including customs administrations, standards agencies, and dispute resolution mechanisms—is equally essential for smooth implementation. Additionally, harmonizing national policies with AfCFTA's objectives will help avoid regulatory fragmentation and ensure coherence across member states. Policymakers should also adopt targeted measures to integrate marginalized groups, such as women and informal traders, into formal trade networks, ensuring that growth is inclusive and sustainable.

Finally, establishing a robust monitoring and evaluation framework will be crucial for tracking progress, identifying bottlenecks, and maintaining transparency in AfCFTA's implementation. By combining these measures with sustained political commitment, AfCFTA can meaningfully contribute to Africa's economic transformation. Its success, however, hinges on coordinated, inclusive, and long-term policy action that addresses both immediate challenges and underlying structural barriers. With the right approach, AfCFTA can unlock new opportunities for trade, industrialization, and shared prosperity across the continent.

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