



## Research Article

# The African Continental Free Trade Area: Opportunities and Challenges

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### Abstract

The African Continental Free Trade Area (AfCFTA), launched in 2021, represents a transformative framework to unite Africa's 55 nations into the largest free trade area globally by membership and geography. With a combined GDP of \$3.4 trillion and a population of over 1.3 billion, AfCFTA is designed to significantly increase intra-African trade, drive industrialization, attract investment, reduce poverty, and enhance Africa's global competitiveness. This article critically examines AfCFTA's potential and analyzes the challenges impeding its full implementation. Opportunities include market expansion, job creation, sectoral diversification, and infrastructure development. However, persistent non-tariff barriers, inadequate infrastructure, currency fragmentation, and political and regulatory misalignments remain significant hurdles. Using sectoral projections and institutional data, the article offers policy recommendations for effective implementation—emphasizing the importance of harmonization, inclusive governance, digital integration, and SME engagement. AfCFTA's success is pivotal to achieving long-term economic resilience and transformation across the African continent.

**Keywords:** AfCFTA; African Union; Free Trade; Intra-African Trade; Industrialization; Trade Facilitation; Infrastructure Development; Foreign Direct Investment; Regional Integration; SMEs; Tariff Barriers; Non-Tariff Barriers;

## INTRODUCTION

The African Continental Free Trade Area (AfCFTA) represents a landmark initiative aimed at accelerating economic integration across Africa's 55 countries, creating the world's largest free trade area by number of member states, population, and geographic size. Officially launched in 2021, AfCFTA integrates a market of over 1.3 billion people with a combined GDP of approximately \$3.4 trillion. Its ambitious goals are to boost intra-African trade, industrialization, socio-economic development, poverty reduction, and Africa's competitiveness in the global economy. This article explores the significant opportunities presented by AfCFTA, as well as the formidable challenges that must be addressed to fully realize its potential.

## BACKGROUND AND CONTEXT

The vision for continental integration is not new; it builds on decades of efforts aimed at fostering cooperation among African nations since the establishment of the Organization of African Unity in 1963 and later the African Union (AU) in 2002. The AfCFTA was proposed in 2012 and negotiated through successive summits, culminating in the signing of the foundational agreement in Kigali, Rwanda, in March 2018. The agreement seeks to progressively eliminate tariffs on 90% of goods and liberalize trade in services over varying timelines, alongside establishing protocols for investment, competition policy, intellectual property rights, and free movement of persons.

## Opportunities Presented by AfCFTA

### 1. Economic Growth and Market Expansion

AfCFTA offers a unified African market that is projected to increase intra-African trade by more than 50% by 2035, generating approximately \$450 billion in income gains. Removing tariffs and non-tariff barriers facilitates easier access to a large consumer base, allowing businesses to scale operations and benefit from economies of scale.

### 2. Industrialization and Diversification

By encouraging trade in intermediate goods, AfCFTA promises to stimulate the development of regional value chains, fostering industrialization beyond primary commodity exports. Key sectors poised for growth include automobile assembly, pharmaceuticals, textiles, agro-processing, and manufacturing, which will benefit from a more integrated market and lower costs of inputs.

### 3. Foreign Direct Investment (FDI) Attraction

The agreement's harmonized investment protocols and continental market size will make Africa a more attractive destination for FDI, bringing fresh capital, technology, and expertise needed to enhance productivity and innovation. Research predicts that full implementation could boost intra-Africa FDI by 68% and external investment by 122%.

### 4. Poverty Reduction and Job Creation

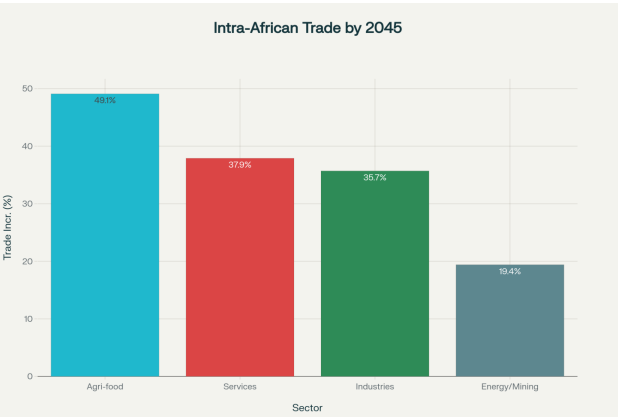
AfCFTA could lift an estimated 30 million Africans out of extreme poverty and raise the incomes of 68 million

more by 2035. Wage gains are expected to benefit both skilled and unskilled workers, with women projected to experience slightly higher wage increases. Job creation through expanded trade, industrialization, and investment will support youth employment and economic empowerment.

**5. Trade Facilitation and Infrastructure Development**  
With efforts focused on simplifying customs procedures, reducing red tape, and harmonizing standards, trade facilitation under AfCFTA will help cut delays and costs associated with cross-border trade. This drives higher competitiveness and integration into global value chains.

**Projected Sectoral Growth in Intra-African Trade by 2045**

Sector	Trade Increase (%)
Agri-food	49.1
Services	37.9
Industries	35.7
Energy & Mining	19.4



Estimated Increase in Intra-African Trade by Sector by 2045 (%)

**CHALLENGES HINDERING AFCFTA'S FULL POTENTIAL**

**1. Trade Barriers and Non-Tariff Barriers (NTBs)**  
Despite tariff reductions, many countries still face high levels of non-tariff barriers such as import quotas, excessive documentation, licensing restrictions, and inefficient customs procedures. These undermine the ease of doing business and full market integration.

**2. Infrastructure Deficiencies**  
Africa’s underdeveloped transportation infrastructure—including poor roads, rail systems, and ports—adds significant logistical costs that hinder smooth cross-border trade. Closing this infrastructure gap requires annual investments estimated between \$130 billion and \$170 billion.

**3. Currency Fragmentation and Payment Barriers**  
Africa’s use of over 40 different currencies complicates cross-border transactions. Currency fluctuations and reliance on foreign currencies like the U.S. dollar and euro increase transaction costs and financial risks. The Pan-African Payment and Settlement System (PAPSS), launched under AfCFTA, is a step toward addressing this but broader currency harmonization remains elusive.

**4. Political Will and Policy Implementation Gaps**  
Some member states lag in ratification, policy harmonization, and the domestication of AfCFTA protocols into national legislation. Political instability in certain regions, protectionist attitudes, and limited awareness among small and medium-sized enterprises curtail effective participation.

**5. Overlapping Regional Economic Communities (RECs)**  
The existence of eight overlapping RECs, each with varied trade agreements and rules, complicates the harmonization of regulations under AfCFTA and governance of common external tariffs.

**6. Competition Concerns and Market Consolidation**  
While trade liberalization improves firm efficiency broadly, there is concern that smaller firms could be outcompeted by larger ones, leading to market consolidation and potential inequality in distribution of benefits.

**POLICY RECOMMENDATIONS AND WAY FORWARD**

To unlock the full benefits of AfCFTA, African governments and stakeholders should undertake the following:

- **Accelerate implementation** of all protocols, with special focus on investment, competition, e-commerce, and intellectual property rights.
- **Enhance trade facilitation**, simplify customs, and eliminate non-tariff barriers rapidly.
- **Invest heavily in infrastructure development** to improve transport, logistics, and digital connectivity.
- **Promote awareness and capacity building** for businesses, especially SMEs, to engage confidently in intra-African trade.
- **Strengthen cooperation** to harmonize monetary systems, including further development of PAPSS.
- **Ensure inclusive policies** that protect vulnerable businesses while encouraging innovation and competitiveness.

**CONCLUSION**  
AfCFTA stands as a transformative opportunity for Africa’s economic future, offering prospects of increased trade, industrialization, investment, and poverty reduction. However, capitalizing on these opportunities requires overcoming significant

challenges related to infrastructure, policy alignment, trade facilitation, and political commitment. Successful implementation will not only integrate African economies but also play a crucial role in reshaping Africa's position in the global economy and improving the livelihoods of its people.

This report is based on data analyzed from multiple sources including the African Union, World Bank, United Nations Economic Commission for Africa, and economic research articles.

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