

## **African Continental Free Trade Area and Economic Integration of Africa: Challenges and Prospects**

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### **Abstract**

The African Continental Free Trade Area (AfCTA) represents a significant milestone in Africa's economic integration agenda, aiming to boost intra-African trade, promote industrialisation, and enhance economic growth. This article examines the key challenges hindering AfCTA's implementation, assesses its impact on intra-African trade and economic integration, evaluates measures taken to address economic disparities among member states, and proposes strategies to improve its effectiveness. The study uses a qualitative method to generate data from secondary sources. Content analysis of existing literature, reports, and policy documents provided further context. This study is anchored in trade liberalisation and institutional theories, which help explain the dynamics of trade integration and the role of governance structures in AfCTA's success. Findings reveal that infrastructural deficits, weak institutional frameworks, policy inconsistencies, and limited financial support significantly constrain the implementation of AfCFTA. While the agreement has positively impacted intra-African trade by increasing market access and diversifying trade flows, its benefits remain uneven due to persistent non-tariff barriers and delays in tariff reductions. Moreover, existing measures to address economic disparities, such as capacity-building programs and financial assistance, have been insufficient, particularly for weaker economies. Based on these findings, the study recommends prioritising infrastructure investment through public-private partnerships and strengthening institutional coordination among member states.

**Keywords:** African Continental Free Trade Area, Economic Integration, Intra-African Trade, Globalisation.

### **Introduction**

The African Continental Free Trade Area (AfCFTA) is one of the most ambitious initiatives to achieve economic integration on the African continent. It was officially launched in 2018 under the auspices of the African Union (AU) and became operational in January 2021. As a flagship project of the AU's Agenda 2063, AfCFTA aims to create a single continental market for goods and services, enhance trade liberalisation, and foster economic integration among African countries. By 2024, the initiative will have continued to gain traction, although its implementation and integration outcomes remain areas of significant focus and analysis. Historically, Africa has grappled with fragmented economies and weak intraregional trade. Despite having 54 countries with a combined GDP of over \$3.4 trillion and a population exceeding 1.3 billion, intra-African trade accounted for only about 16% of total trade in 2018, compared to 68% in Europe and 59% in Asia (UNECA, 2019).

This low trade volume has been attributed to several factors, including trade barriers, poor infrastructure, weak institutional frameworks, and over-reliance on exports of raw materials to external markets (World Bank, 2020). The AfCFTA seeks to address these barriers by fostering

greater economic cooperation and facilitating the movement of goods, services, and investments across the continent. The establishment of AfCFTA builds on the historical efforts of regional economic communities (RECs) such as the Economic Community of West African States (ECOWAS), the Southern African Development Community (SADC), and the East African Community (EAC), which have long pursued regional integration goals. However, these efforts have often been hindered by overlapping memberships, limited policy coordination, and unequal levels of economic development among member states (Balassa, 2020). The AfCFTA seeks to unify these fragmented efforts by creating a continent-wide framework for trade and economic cooperation. The agreement's provisions include reducing tariffs on 90% of goods, eliminating non-tariff barriers, and establishing protocols for trade in services, intellectual property rights, and dispute settlement mechanisms (AU, 2018).

These measures are expected to significantly increase intra-African trade, which the United Nations Economic Commission for Africa (UNECA) predicts could grow by 52.3% by 2025 if fully implemented (UNECA, 2019). Furthermore, AfCFTA is projected to lift 30 million Africans out of extreme poverty and boost the incomes of 68 million others living on less than \$5.50 a day (World Bank, 2020). Despite these promising prospects, the operationalisation of AfCFTA has faced several challenges. First, disparities in economic capacity among African countries risk uneven benefits, with more developed economies potentially dominating the trade landscape (Karingi & Davis, 2019). Second, inadequate infrastructure, such as transport networks and digital connectivity, hinders the seamless movement of goods and services across borders. Third, weak institutional and legal frameworks in some member states undermine the enforcement of trade agreements and the functioning of dispute-resolution mechanisms (UNECA, 2021).

The African Continental Free Trade Area (AfCFTA) is heralded as a transformative initiative to bolster Africa's economic integration. However, its implementation has faced significant obstacles, hindering its full potential. While the agreement aims to increase intra-African trade by reducing tariffs and eliminating non-tariff barriers, many African countries grapple with structural and institutional challenges, including weak infrastructure, limited industrial capacity, and inconsistent regulatory frameworks (UNECA, 2019). Furthermore, disparities in economic development between member states raise concerns about unequal benefits, with advanced economies potentially dominating trade flows at the expense of smaller or less-developed economies (Karingi & Davis, 2019).

Despite its ambitious goals, evidence suggests that intra-African trade remains low, accounting for only 16% of the continent's total trade compared to significantly higher levels in other regions. This raises critical questions about the effectiveness of AfCFTA in addressing long-standing barriers to economic integration. Existing studies have explored the theoretical benefits of the agreement, but there is limited empirical analysis of its practical outcomes, particularly from 2018 to 2024. This study identifies a gap in examining the specific factors constraining the implementation of the AfCFTA and its impact on economic integration across diverse African economies. By focusing on these challenges, this study aims to provide actionable insights to enhance the effectiveness of AfCFTA and ensure equitable economic benefits for all member states.

## **Conceptual Review**

**Economic Integration** Economic integration refers to the process by which countries coordinate their economic policies, reduce trade barriers, and harmonise regulations to achieve greater economic interdependence and collective benefits. The concept has been studied extensively, with scholars offering diverse perspectives on its forms, processes, benefits, and challenges.

This discourse examines economic integration from various scholastic perspectives, highlighting recent interpretations and applications.

One of the earliest conceptualisations of economic integration is attributed to Bela Balassa (1961), who identified five stages: free trade area, customs union, common market, economic union, and full economic integration. According to Balassa, economic integration progresses incrementally, with each stage requiring a more profound commitment to policy harmonisation and coordination. This framework remains a cornerstone for understanding regional integration processes globally.

Recent scholarship supports Balassa's stages but critiques the model's linearity, arguing that economic integration is often non-linear due to political, institutional, and cultural barriers (Draper et al., 2021). For instance, African regional integration efforts frequently combine elements of different stages, as seen in the African Continental Free Trade Area (AfCFTA), which incorporates features of a free trade area but also aspires toward a customs union and common market. The classical perspective on economic integration, as conceptualised by Bela Balassa (1961), provides a structured framework for understanding the progressive nature of regional integration. Balassa identified five stages:

- i. **Free Trade Area:** Member countries eliminate tariffs and trade barriers on goods and services among themselves while maintaining individual trade policies with non-members.
- ii. **Customs Union:** Beyond a free trade area, members adopt a standard external tariff on goods entering from non-members.
- iii. **Common Market:** This stage involves the free movement of factors of production, such as labour and capital, as well as the harmonisation of trade regulations.
- iv. **Economic Union:** Members align their economic policies, including taxation and fiscal policies, to create a unified economic space.
- v. **Full Economic Integration:** This final stage involves political integration, with members adopting a standard government structure or governance framework. Balassa emphasises incremental progression, where each stage requires deeper harmonisation of cooperation and policy. This progression has been widely used to analyse regional economic initiatives, including the European Union (EU) and, more recently, African integration efforts such as the African Continental Free Trade Area (AfCFTA) (Draper et al., 2021).

### **Functionalist and Neo-Functionalist**

Functionalist scholars such as David Mitrany (1943) argue that economic integration arises from cooperation in functional areas like trade, infrastructure, and technology, which spills over into broader integration. Neo-functionalism, as advanced by Ernst Haas (1958), extends this idea, emphasising the role of supranational institutions and elite consensus in driving integration. Haas contended that economic integration generates political and social interdependence, leading to a "spillover effect" that strengthens regional unity. Recent works align with neo-functionalism in exploring the role of institutions such as the African Union and regional economic communities (RECs) in facilitating the AfCFTA. Olayiwola et al. (2020) argue that supranational institutions are crucial for addressing implementation gaps, such as ensuring compliance and resolving disputes among member states.

More so, the functionalist perspective, championed by David Mitrany (1943), views integration as an incremental process driven by cooperation in practical, functional areas such as trade, technology, and infrastructure. Functionalist scholars argue that successful collaboration in one domain can foster trust and interdependence, thereby prompting integration across related areas. This approach prioritises problem-solving over ideological or

political motives, emphasising that integration emerges as states recognise the benefits of coordinated actions. Building on functionalism, neo-functionalism, as advanced by Ernst Haas (1958), provides a more dynamic explanation of integration. Neo-functionalists argue that integration is catalysed by "spillover effects," in which cooperation in one sector necessitates deeper collaboration in others. For instance, economic cooperation might lead to social or political integration, as shared interests expand across sectors. Haas also highlights the role of supranational institutions, such as the European Commission, in driving integration by mediating disputes, enforcing agreements, and fostering elite consensus.

In the African context, neo-functionalism resonates with the role of supranational bodies such as the African Union (AU) and regional economic communities (RECs) in spearheading the AfCFTA. The agreement reflects neo-functionalist principles, as its implementation aims to reduce tariffs, resolve trade disputes, and harmonise regulatory standards across diverse economies. Recent studies underscore the importance of these institutions in addressing the complexities of African integration. Olayiwola et al. (2020) emphasise the critical role of supranational institutions in bridging the gap between policy formulation and implementation. They argue that institutions like the AU provide technical and institutional support to member states, ensuring that national interests or capacity constraints do not derail ambitious agreements such as the AfCFTA.

Furthermore, neo-functionalism explains the challenges of achieving unity in diverse regions. In Africa, for instance, the economic disparities between countries such as South Africa and Niger make it challenging to implement AfCFTA provisions uniformly. Kamau and Otieno (2022) highlight how uneven industrial capacities and infrastructural deficits can hinder the "spillover effect," as smaller economies struggle to compete within an integrated framework. Addressing these disparities requires targeted investments and capacity-building initiatives to ensure inclusive integration.

Neo-functionalism also acknowledges the significance of political will and leadership in driving integration. African leaders have recognised the transformative potential of the AfCFTA, but divergent national priorities and limited institutional capacity remain significant obstacles. As Nyong'o (2023) observes, the success of AfCFTA hinges on creating a balance between national sovereignty and regional commitments, a challenge that requires strong leadership and effective governance structures. Both functionalist and neo-functionalist perspectives remain relevant for understanding the dynamics of economic integration, particularly in regions like Africa, where socio-political complexities shape the trajectory of initiatives such as the AfCFTA. These theories underscore the importance of incremental, cooperative approaches while highlighting the critical role of institutions and leadership in overcoming integration challenges.

Inter-governmentalism, popularised by Andrew Moravcsik (1993), posits that economic integration is driven primarily by nation-states pursuing their economic interests through intergovernmental negotiations. This perspective emphasises the importance of state sovereignty and the role of national governments in determining the pace and scope of integration. In the context of Africa, Akech (2021) highlights the tension between national interests and regional objectives. While countries recognise the benefits of AfCFTA, political elites often prioritise domestic economic policies over regional commitments, slowing integration efforts. This is evident in the hesitancy of some African states to implement tariff reductions or fully adopt standard trade policies.

### **Structural and Dependency Perspectives**

Structuralist and dependency theorists provide a critical perspective on economic integration, particularly in developing regions. Scholars like Raúl Prebisch (1950) and Andre Gunder Frank (1967) argue that economic integration can exacerbate inequalities between developed and developing countries. They caution that weaker economies risk becoming dependent on stronger ones, leading to asymmetric trade relations and unequal benefits. In the African context, Karingi and Davis (2019) caution that AfCFTA could deepen economic disparities if not carefully implemented. They argue that wealthier countries with diversified economies, such as South Africa and Kenya, may dominate trade flows, leaving smaller or less industrialised nations at a disadvantage. Addressing this requires deliberate efforts to build the productive capacities of weaker economies and promote inclusive growth.

### **Globalisation and Economic Integration**

Globalisation significantly influenced the concept of economic integration. Scholars like Held et al. (1999) argue that globalisation increases interconnectedness, making regional integration essential for countries to compete in the global economy. Economic integration is seen as a strategy to pool resources, create larger markets, and attract foreign investment. However, critics like Stiglitz (2017) argue that globalization driven integration often favours multinational corporations and wealthier nations, leading to uneven development. In Africa, AfCFTA seeks to counterbalance globalisation, prioritising intra-African trade and reducing reliance on external markets. Moyo and Mogale (2023) highlight the potential of AfCFTA to strengthen Africa's bargaining power in global trade negotiations, provided its implementation is effectively managed.

### **Empirical Review**

The study by Jeffrey Sachs in *The Age of Sustainable Development* (2015) presents a comprehensive argument for inclusive growth as a critical pathway to economic sustainability. Inclusive growth, as defined by Sachs, involves economic strategies that ensure equitable opportunities for all individuals, particularly marginalised and vulnerable populations. This approach focuses on reducing poverty and inequality while fostering long-term economic stability and prosperity.

Sachs outlines three primary pillars for fostering inclusive growth: Education is pivotal for empowering individuals and building human capital. Sachs argues that universal access to quality education equips individuals with skills to participate in the economy, thus reducing income inequality. He provides empirical evidence showing that nations with higher literacy rates tend to have more equitable wealth distribution and sustained growth. Sachs highlights healthcare as a cornerstone of economic inclusivity. Investments in accessible, affordable healthcare systems improve productivity by reducing illness-related workforce absenteeism and enhancing overall quality of life. Case studies from low-income countries demonstrate how targeted healthcare reforms significantly increase economic participation among underserved populations. Sachs emphasises the importance of infrastructure, including clean energy, transportation, and digital access. He argues that sustainable infrastructure Development not only drives economic growth but also reduces environmental degradation, aligning with long-term sustainability goals. Sachs utilises a cross-country comparative analysis to demonstrate the impact of inclusive policies. For instance, Scandinavian countries, which prioritise progressive taxation, free education, and universal healthcare, have consistently achieved high levels of economic growth alongside low income inequality. In contrast, nations with weak

social safety nets and significant disparities in resource access exhibit slower growth rates and greater economic volatility.

While Sachs provides a robust framework, achieving inclusive growth poses significant challenges: Sachs acknowledges that weak institutions and governance impede the implementation of inclusive policies, particularly in developing countries. Limited financial and human resources often restrict investments in education and healthcare, perpetuating inequality. Sachs highlights the global uneven distribution of wealth and power, which hampers equitable development across countries. Sachs' framework for inclusive growth is a cornerstone of sustainable economic development. By advocating for investments in education, healthcare, and infrastructure, his work highlights the interconnectedness of social equity and economic prosperity. Despite the challenges, the principles he outlines remain integral to achieving long-term global sustainability, offering valuable insights for policymakers worldwide.

Olayiwola et al. (2020) explored the pivotal role of supranational institutions, such as the African Union (AU), in driving sustainability initiatives across the continent. Their study examined the implementation of the African Continental Free Trade Area (AfCFTA) as a case study, emphasising the importance of robust institutional frameworks in achieving sustainable economic growth while promoting equity. Empirical findings revealed that the AU and other regional economic communities play a critical role in harmonising policies, resolving disputes, and ensuring compliance among member states. These institutional interventions were found to bridge gaps between economic growth and social equity, enabling more inclusive development. However, the study also highlighted significant hurdles to practical implementation, including capacity deficits, inadequate funding, and political will. The authors concluded that strengthening institutional capacity and fostering greater collaboration among African nations are essential to sustaining the momentum of initiatives such as the AfCFTA and achieving broader sustainability goals. Draper et al. (2021) examined the complex political, institutional, and cultural barriers that hinder economic sustainability, particularly in developing regions. Their study focused on case studies from Africa, highlighting how these challenges disrupt linear progress in economic integration and sustainability initiatives. The research found that weak institutions, governance deficits, and entrenched cultural practices often lead to inconsistencies in policy implementation, slowing economic progress. Political instability and resistance to regional integration were also identified as significant impediments. The authors emphasised that these barriers create a fragmented economic landscape, making cohesive, sustainable growth challenging. Draper and colleagues concluded that adaptive policymaking, which considers the unique political and cultural contexts of each region, is crucial for overcoming these barriers. They advocated for stronger institutional frameworks and collaborative governance to enhance economic sustainability across Africa.

### **Theoretical Framework**

**Regional Integration Theory** Regional integration theory, which emerged in the mid-20th century, emphasises the benefits of fostering closer economic and political cooperation among neighbouring states. This theory builds on the idea that regional cooperation can yield economic, political, and social benefits that individual countries would find challenging to achieve on their own. Proponents of regional integration include scholars such as Ernst Haas (1958), who emphasised the role of integration in promoting peace and stability, and Bela Balassa (1961), who argued for the advantages of economic integration in fostering growth. The theory suggests that by creating shared markets, coordinated policies, and collective bargaining power, countries can strengthen their collective position in global affairs, thereby improving economic outcomes for all members. The theory is particularly relevant to trade

agreements like the African Continental Free Trade Area (AfCFTA), which seeks to create a larger, unified economic bloc within Africa. The AfCFTA aims to enhance intra-African trade, facilitate the free movement of goods, services, and people, and provide a platform for collective bargaining on the global stage. Regional integration, as envisioned in this theory, is seen as a means to overcome historical divisions and promote a stronger, more cohesive regional identity. The adoption of regional integration theory for the study of the AfCFTA is particularly appropriate due to the agreement's emphasis on regional economic cooperation, shared markets, and collective bargaining in global trade. The AfCFTA is essentially an attempt to integrate African economies into a single market, to increase trade, boost industrialisation, and create a unified economic bloc that can compete globally. Regional integration theory helps in understanding the underlying objectives of the AfCFTA, which seeks to align the economies of 54 African countries into a coherent structure that can address the challenges of underdevelopment, reduce dependence on global powers, and foster long-term, sustainable growth.

Additionally, the theory provides a framework for understanding the challenges to achieving deep integration, including the diversity of political systems, varying levels of economic development, and conflicting national interests. By using this theory, the study can explore how the AfCFTA may succeed or face obstacles in promoting economic growth and political cohesion across Africa. The theory also highlights the importance of infrastructure, political will, and institutional capacity in overcoming barriers to integration, which are crucial to the AfCFTA's success.

### **Methodology**

The study adopts a survey research design, widely utilised in the social sciences, to collect original data on populations too large to observe directly. According to Onyishi and Omemma (2010), survey research enables researchers to select a sample from a population using established sampling techniques. The method is particularly effective in gathering data that represent an entire group through the study of selected individuals or items.

### **Findings**

AfCFTA represents a transformative approach to economic integration by creating the world's largest free trade area in terms of the number of participating countries. With 55 member states of the African Union, a combined population of over 1.3 billion people, and a collective GDP exceeding \$3.4 trillion, AfCFTA provides unprecedented opportunities for economic growth and collaboration (African Union, 2023)

**Harmonising Trade Policies under AfCFTA:** The African Continental Free Trade Area (AfCFTA) is a transformative initiative aimed at unifying Africa's fragmented markets. By harmonising policies, AfCFTA not only enhances intra-African trade but also provides a robust framework for economic cooperation. This harmonisation addresses tariffs, non-tariff barriers (NTBs), trade in services, intellectual property rights, and dispute resolution mechanisms, creating a more predictable and stable trading environment that is essential for attracting investment and fostering regional value chains.

**Tariff Reduction on Goods:** A cornerstone of AfCFTA is its commitment to reducing tariffs on 90% of goods traded across the continent. This significant tariff reduction is projected to boost intra-African trade by more than 50% by 2030, according to the United Nations Economic Commission for Africa (UNECA) (UNECA, 2023). Lower tariffs mean reduced costs for businesses and consumers, which encourages greater market participation.

Furthermore, tariff elimination on key industrial goods stimulates manufacturing, contributing to industrialisation and job creation. Addressing Non-Tariff Barriers (NTBs): Non-tariff barriers, such as complex customs procedures, lack of harmonised standards, and bureaucratic bottlenecks, have historically hindered trade within Africa.

**Trade in Services:** The liberalisation of trade in services is another significant achievement of AfCFTA. Key sectors such as transport, banking, and telecommunications have been prioritised, recognising their critical role in supporting trade in goods and enhancing economic efficiency. The harmonised work facilitates cross-border service delivery and increases competition, thereby improving service quality and affordability (African Development Bank, 2023).

**Intellectual Property Rights (IPRs):** AfCFTA provides a unified framework for intellectual property rights (IPRs), which is vital for fostering innovation and protecting creators' rights. The agreement promotes cooperation among member states in enforcing IPRs, which is critical for encouraging research and development and attracting foreign direct investment (FDI) (WIPO, 2023).

**Dispute Resolution Mechanisms:** A predictable, fair mechanism is essential for maintaining trust among trading partners. AfCFTA's Dispute Settlement Protocol provides a legal framework for resolving trade-related disputes. This mechanism aligns with the principles of the World Trade Organisation (WTO) but is tailored to address the unique challenges of African economies (WTO, 2023). By ensuring that disputes are resolved transparently and efficiently, the agreement enhances confidence in the trading system and reduces the risks associated with cross-border transactions.

**Fostering Regional Value Chains:** The harmonisation of trade policies under the AfCFTA enables the development of regional value chains (RVCs), in which goods are produced collaboratively across multiple countries.

**Attracting Investment:** The predictability and stability created by harmonised policies under AfCFTA are crucial for attracting investment. Domestic businesses benefit from the certainty of rules and regulations, while foreign investors are drawn to the vast unified market with over 1.3 billion consumers and a combined GDP of \$3.4 trillion (World Bank, 2022).

**Expanding Market Opportunities under AfCFTA:** The African Continental Free Trade Area (AfCFTA) represents a monumental step toward unlocking Africa's economic potential by creating a single, unified market. This initiative provides businesses, tiny and medium-sized enterprises (SMEs), access to a consumer base projected to grow to 2.5 billion people by 2050. By dismantling trade barriers and enhancing connectivity across the continent, AfCFTA offers vast opportunities for economic expansion, industrialisation, and innovation, ultimately driving sustainable development.

**Access to a Growing Consumer Base:** The unification of Africa's fragmented markets through AfCFTA provides businesses with unparalleled opportunities to reach new customers. With Africa's population projected to double by 2050, businesses can tap into an expanding consumer base, increasing demand for goods and services. This is especially significant for African SMEs, which currently account for 80% of employment and 50% of GDP across the continent (UNCTAD, 2022).

The removal of tariffs and non-tariff barriers under AfCFTA reduces the cost of cross-border trade, allowing businesses to compete effectively and deliver goods and services at more

affordable prices. This enhanced market access fosters economic inclusivity, enabling businesses in landlocked or less-developed countries to benefit from regional demand.

### **Opportunities for SMEs**

SMEs form the backbone of African economies but face numerous challenges, including limited market access, high transaction costs, and difficulty in scaling operations. AfCFTA addresses these challenges by:

**Reducing Trade Costs:** Lower tariffs and simplified customs procedures reduce transaction costs, making it easier for SMEs to engage in cross-border trade. **Promoting Innovation:** Exposure to larger markets encourages SMEs to innovate and diversify their product offerings, enhancing competitiveness.

**Facilitating Access to Finance:** The increased scale and visibility that come with expanded market participation make SMEs more attractive to investors (World Bank, 2022). Through these measures, SMEs are better positioned to increase revenues, expand operations, and create jobs, contributing significantly to poverty reduction and inclusive growth.

The expanded market created by AfCFTA is a powerful incentive for industrialisation. With access to a larger pool of consumers, African manufacturers can achieve economies of scale, lowering production costs and increasing efficiency. For instance, sectors such as textiles, automotive, and agribusiness are expected to thrive under AfCFTA as they leverage the continent's abundant resources and labour force (UNECA, 2023). By fostering regional value chains, AfCFTA enables African countries to collaborate in the production of goods, adding value to raw materials before exporting. This shift from exporting unprocessed commodities to producing finished goods enhances Africa's global trade competitiveness while reducing dependency on imports from outside the continent.

**Enhancing Innovation and Technological Advancements:** A larger, integrated market creates an environment conducive to innovation and technological development. Businesses seeking to meet the diverse needs of consumers across Africa are incentivised to develop new products and adopt advanced technologies. This process not only improves productivity but also stimulates knowledge transfer and skill development across sectors (African Development Bank, 2023). In addition, harmonised intellectual property rights under AfCFTA protect innovators, encouraging investments in research and Development. The emergence of tech hubs and start-ups across Africa highlights the potential for innovation-driven economic growth under the expanded market opportunities provided by AfCFTA.

**Fostering Regional and Global Trade Competitiveness:** The AfCFTA provides African businesses with a platform to strengthen their regional presence and prepare for global competition. By operating within a unified market, businesses can enhance their production capabilities, improve quality standards, and reduce costs, making African products more competitive in international markets. For example, the agricultural sector stands to benefit significantly, with farmers accessing larger markets for their produce. This expansion enables better integration into regional value chains, enabling African countries to export processed and high-value goods rather than raw materials (UNCTAD, 2022).

### **Strengthening Regional Value Chains under AfCFTA**

The African Continental Free Trade Area (AfCFTA) represents a significant step toward fostering deeper economic integration by strengthening regional value chains (RVCs). These chains enable African countries to collaborate in producing goods and services, leveraging their respective comparative advantages to enhance efficiency, competitiveness, and value addition. By facilitating the movement of goods, services, and capital across borders, AfCFTA has the potential to transform fragmented supply networks into cohesive, resilient regional production systems. **Facilitating Regional Specialisation Efficiency**

AfCFTA reduces trade barriers, enabling countries to specialise at various stages of production where they have a comparative advantage. For example:

**Raw Material Suppliers:** Resource-rich countries can focus on extracting and initial processing of raw materials.

**Manufacturing Hubs:** Nations with more developed industrial bases can engage in manufacturing and assembly.

**Service Providers:** Economies with strong service sectors can contribute through logistics, marketing, and technology support (OECD, 2023).

This division of labour maximises productivity while reducing costs, making African goods and services more competitive in both regional and global markets.

### **Benefits of Economic Integration through AfCFTA**

Economic integration through AfCFTA offers numerous benefits, including:

**Increased Intra-African Trade:** Historically, intra-African trade has remained low, accounting for only 17% of the continent's total trade compared to 59% in Asia and 68% in Europe. AfCFTA aims to boost this figure by removing trade barriers and encouraging cross-border commerce. The World Bank estimates that AfCFTA could increase intra-African trade by over 50% by 2030 (World Bank, 2022).

**Job Creation and Poverty Reduction:** Economic integration fosters job creation by stimulating industrial growth and enhancing productivity. According to the United Nations Economic Commission for Africa (UNECA), AfCFTA could lift 30 million people out of extreme poverty by 2035 through increased employment opportunities and improved access to affordable goods and services (UNECA, 2021).

**Improved Infrastructure Development:** Integration efforts often drive investments in infrastructure, including transportation, energy, and digital connectivity. These improvements reduce trade costs and enhance market access, particularly for landlocked and least developed countries. The African Development Bank (AfDB) has highlighted the importance of infrastructure in unlocking the benefits of AfCFTA, estimating an annual investment requirement of \$130–170 billion (AfDB, 2023).

**Enhanced Global Competitiveness:** By fostering industrialisation and value addition, AfCFTA enhances the global competitiveness of African products. Integration enables countries to produce high-quality goods at lower costs, positioning Africa as a formidable player in global trade. Additionally, the agreement strengthens Africa's bargaining power in international negotiations, ensuring fairer trade terms and access to global markets (UNCTAD, 2022).

### **Conclusion**

The African Continental Free Trade Area (AfCFTA) represents a transformative step toward achieving comprehensive economic integration across Africa. By creating a unified market, harmonising policies, and fostering regional value chains, AfCFTA has the potential to unlock unprecedented economic opportunities for the continent. Its focus on reducing trade barriers, expanding market access, and encouraging industrialisation provides a robust framework for addressing Africa's economic challenges, including dependence on raw material exports, unemployment, and poverty. The study emphasises that while the benefits of AfCFTA are immense, its success depends on overcoming significant challenges. These include inadequate infrastructure, limited technological and institutional capacities, and inconsistencies in policy implementation among member states. Addressing these hurdles requires coordinated efforts at national, regional, and continental levels, with investments in infrastructure, capacity building, and policy alignment being particularly crucial.

Moreover, the active participation of stakeholders—governments, private sector actors, regional economic communities, and civil society—is essential to the realisation of AfCFTA's objectives. Small and medium-sized enterprises (SMEs), which form the backbone of many African economies, stand to benefit immensely from the expanded market opportunities and regional collaborations fostered by the agreement. Ultimately, AfCFTA provides Africa with a historic opportunity to position itself as a competitive, resilient economic bloc on the global stage. By promoting intra-African trade, industrial diversification, and innovation, AfCFTA can catalyze sustainable development and improve the livelihoods of millions across the continent. However, realising its potential will require unwavering commitment, practical implementation, and collaborative partnerships to ensure that the vision of a prosperous and integrated Africa becomes a reality.

## Recommendations

Based on the findings of the study, the following recommendations are made:

**Enhancing the Impact of AfCFTA on Intra-African Trade and Economic Integration:** To amplify AfCFTA's impact, countries should adopt and enforce uniform trade policies and standards, including harmonised customs procedures. Establishing a robust monitoring and evaluation framework to assess compliance and progress can ensure the agreement's objectives are being met effectively. This will also foster trust and cooperation among member states.

**Reducing Economic Disparities Among African Countries:** To address economic disparities, AfCFTA should establish a targeted support mechanism for least-developed countries (LDCs). This could involve technical assistance, capacity-building programs, and preferential treatment to ensure these countries can fully participate in and benefit from the agreement. Such measures would promote equitable economic growth and strengthen overall integration.

**Addressing Key Challenges Hindering AfCFTA Implementation:** To overcome the obstacles to AfCFTA's implementation, member states should prioritise infrastructure development, particularly transportation and digital connectivity. This will enhance trade efficiency, reduce logistical costs, and address one of the most significant barriers to seamless intra-African trade. Collaborative financing mechanisms, such as leveraging partnerships with Development banks and private investors, can accelerate these efforts.

**Improving AfCFTA's Effectiveness in Achieving Its Objectives:** Member states should prioritise the creation of a centralised digital platform to facilitate trade-related data sharing,

dispute resolution, and stakeholder engagement. This platform could provide real-time trade information, streamline processes, and improve transparency, thereby enhancing the efficiency and accessibility of AfCFTA for all participants.

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