AfCFTA in Action: How the Progress and Challenges of Africa's Single Market Reshape Its Global Trade Power

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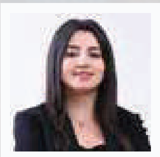

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Abstract

The African Continental Free Trade Area (AfCFTA) represents the continent's most ambitious economic integration project since the formation of the African Union. Uniting a market of over 1.3 billion people with a combined GDP of approximately $3.4 trillion, the agreement aims to boost intra-African trade by eliminating tariffs on 90% of goods and addressing critical non-tariff barriers. However, its implementation presents a paradox: while the AfCFTA has the potential to forge a cohesive negotiating voice for Africa in global trade, its transformative power is undermined by persistent political fragmentation, infrastructural deficits, and regulatory hurdles.

This report assesses the political and economic progress made since the AfCFTA's operational launch in January 2021, as well as the obstacles that threaten its success. Drawing on recent data—including estimates of informal trade, the costs of non-tariff barriers, and cross-border logistics delays—the analysis clarifies how these internal dynamics affect Africa's collective bargaining power with major global partners, including the European Union (EU), China, the United States (US), and the expanding BRICS+ bloc. The report concludes that while the AfCFTA holds immense potential to enhance Africa's global standing, its ultimate impact will depend on overcoming domestic political hurdles, diversifying economies, and harmonizing external trade policies.

1. Introduction: Why AfCFTA Matters

Historically, Africa has traded more with external markets than within its own borders. In 2019, intra-continental trade accounted for just 15% of Africa's total trade, a stark contrast to 68% in Europe and 59% in Asia. This imbalance is a legacy of colonial-era supply chains, poor infrastructure, and fragmented trade regulations. The African Continental Free Trade Area (AfCFTA) was established to dismantle these barriers, creating the world's largest free trade area by number of participating countries.

Signed in 2018 and entering into force in May 2019, the AfCFTA officially commenced trading operations in January 2021. To date, 47 of the 54 signatory states have ratified the agreement, signaling strong political will. However, significant challenges persist, including political instability in key regions, limited customs capacity, and the complexities of overlapping regional economic communities (RECs) with conflicting trade rules.

The stakes are high. Successful implementation could lift 30 million people out of extreme poverty and add $450 billion to Africa's income by 2035. Crucially, it could also amplify Africa's collective bargaining power in negotiations with powerful external partners.

Figure 1.1: Intra-African vs. Intra-EU Trade (% of total trade, 2022)

Region	Intra-Regional Trade (%)
European Union	**68%**
Asia	**59%**
Africa	**15%**

Source: UNCTAD (2022)

Despite its immense potential, the path forward for the AfCFTA is neither linear nor guaranteed. This report explores the dual nature of its progress: the promise of enhanced economic integration and the persistent barriers that threaten to weaken Africa's global trade leverage.

2. Political Progress and Challenges

The political journey of the AfCFTA reflects both Africa's integrationist ambitions and its deep-seated governance challenges. While the agreement has achieved remarkable strides in ratification, the translation of these commitments into tangible domestic policies remains uneven across the continent.

2.1 Institutional Progress

Since its launch, the AfCFTA Secretariat has been established in Accra, Ghana, a symbolic nod to the country's historic leadership in Pan-Africanism. As of June 2024, the high number of ratifications (47 out of 54 signatories) demonstrates widespread political commitment. Key economies, including Kenya, Egypt, and South Africa, have developed national AfCFTA strategies to align domestic policy with continental obligations.

A major milestone was the launch of the Guided Trade Initiative (GTI) in 2022. Under this pilot program, Ghana, Kenya, Cameroon, Egypt, Mauritius, Rwanda, and Tanzania began exchanging goods under AfCFTA rules to test customs procedures and tariff regimes, providing a practical proof of concept for the agreement.

2.2 Key Political Challenges

Despite high ratification rates, several political factors threaten to undermine the AfCFTA's promise:

- **Overlapping Regional Blocs:** Africa's eight officially recognized RECs have varying trade rules. For example, the Economic Community of West African States (ECOWAS) has a common external tariff, while the Southern African Customs Union (SACU) is a long-established customs union. These overlapping structures can create legal conflicts and complicate the harmonization of a single continental trade policy.
- **Political Instability:** Recent coups in the Sahel—notably in Mali (2021), Burkina Faso (2022), and Niger (2023)—have disrupted trade routes and eroded confidence in regional agreements. According to the 2023 Ibrahim Index of African Governance, governance levels have declined in over 15 countries in the past five years, creating an unpredictable environment for trade.
- **Ineffective Dispute Settlement:** Although the AfCFTA includes a Dispute Settlement Body, its practical application remains limited. Most states continue to prefer bilateral or diplomatic solutions to trade disputes, weakening the mechanism's authority and the overall credibility of the agreement's legal framework.

Table 2.1: Political Stability and AfCFTA Implementation

Country	Ratified AfCFTA	Political Stability Index* (2023)
Ghana	Yes	+0.1
Nigeria	Yes	-1.1
South Africa	Yes	-0.3
Mali	Yes	-2.3
Niger	Yes	-1.8

Table 2.1: Political Stability and AfCFTA Implementation

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2.3 The Role of Regional Leaders

Regional giants like Nigeria and South Africa wield considerable influence. Nigeria, the continent's largest economy, delayed signing the agreement until 2019 over concerns for its domestic industries, and its internal policy coherence remains a challenge as it balances protectionism with liberalization. South Africa has been a vocal proponent of the AfCFTA, yet its strong bilateral trade ties with the EU sometimes run counter to the bloc's collective strategies. This highlights a critical implementation gap, where political will on paper often fails to translate into action due to weak institutional capacity for customs reform and regulatory convergence.

3. Economic Progress and Challenges

3.1 Economic Benefits Unfolding

According to the World Bank, full implementation of the AfCFTA could increase intra-African exports by 81% by 2035. The agreement aims to eliminate tariffs on 90% of goods, and several countries have already begun tariff reductions in initial sectors like textiles and automotive parts.

Progress is also visible in infrastructure investment. Key projects, such as the African Integrated High-Speed Rail Network and the Programme for Infrastructure Development in Africa (PIDA), are aligned with the AfCFTA's goal of addressing logistical bottlenecks. To cushion the impact of tariff reductions, the African Export-Import Bank (Afreximbank) has launched a $1 billion AfCFTA Adjustment Facility to help member states offset short-term revenue losses.

Figure 3.1: Projected Gains from AfCFTA by 2035

Metric	Expected Impact
Intra-African exports	+81%
Overall African exports	+29%
African income	+$450 billion
People lifted from extreme poverty	30 million

Source: World Bank (2023)

3.2 Economic Hurdles

Despite these developments, significant economic hurdles persist. Chief among them are non-tariff barriers (NTBs), which include cumbersome customs procedures, corruption, and poor transport infrastructure. NTBs are estimated to add 30%–40% to trade costs in some regions. For instance, trucks crossing the Kenya-Uganda border at Malaba can spend an average of three days in clearance, compared to less than 30 minutes at EU internal borders.

Furthermore, informal cross-border trade, estimated to account for up to 40% of all intra-African trade, provides livelihoods for millions but undermines tariff revenue collection and standardization efforts. Finally, Africa's over-reliance on primary commodity exports (over 75% of total exports) exposes it to global price shocks. The COVID-19 pandemic and the war in Ukraine amplified these vulnerabilities, underscoring the urgent need for diversified continental value chains.

4. Africa's Changing Negotiating Power

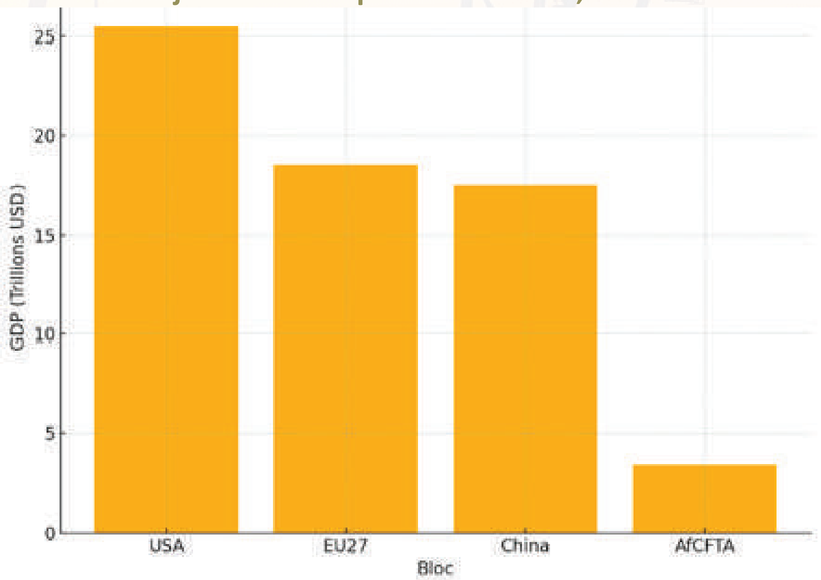
The AfCFTA represents a significant geopolitical asset, offering Africa the potential to move from a fragmented landscape of trade talks to a unified negotiating bloc. This is particularly relevant given that Africa accounts for only 2.8% of world trade, with its markets historically dominated by external partners.

4.1 Creating a Collective Voice

In theory, a continental free trade area elevates Africa's negotiating power with major players like the EU and China. In the past, the EU has pursued Economic Partnership Agreements (EPAs) with individual African countries or smaller RECs, a practice criticized for perpetuating unequal terms. The AfCFTA aims to replace these piecemeal agreements with bloc-level negotiations. However, the tension between national priorities and pan-African integration persists, as highlighted by Kenya's bilateral EPA with the EU in 2023, which drew criticism from the East African Community (EAC) for undercutting collective bargaining.

Notwithstanding the large size of the AfCFTA market, its total GDP is relatively small compared to other large economic blocs—suggesting that its bargaining power is largely based on the prospect for market access rather than actual economic power.

Figure 4.1. GDP of Major Blocs Compared to AfCFTA, 2023. Source: IMF (2023).



4.2 Political Divergence as a Vulnerability

Despite collective aspirations, stark differences in economic structures and governance persist. Economies like Nigeria and South Africa are relatively diversified, while many others depend on a single commodity. This unevenness means the continent's bargaining power can be limited by the specific interests of its most influential members, whose unique leverage assets—such as Nigeria's oil, Egypt's control of the Suez Canal, or South Africa's industrial base—can drive them toward bilateralism. This dynamic is further complicated by regional political rivalries that can hinder the formation of a unified negotiating front.

4.3 Emerging South-South Dynamics

Africa's engagement with emerging alliances aligns with the growth of BRICS+. With Egypt and Ethiopia joining BRICS in 2024, the continent's leading economies are positioned to drive negotiations between traditional and rising powers. This geographic overlap, shown in the map below, illustrates how African countries can leverage multiple memberships—AfCFTA for intra-African trade and BRICS for external partnerships—to amplify their global bargaining position.

Map 4.2: AfCFTA Members with Overlapping BRICS and BRI Engagement

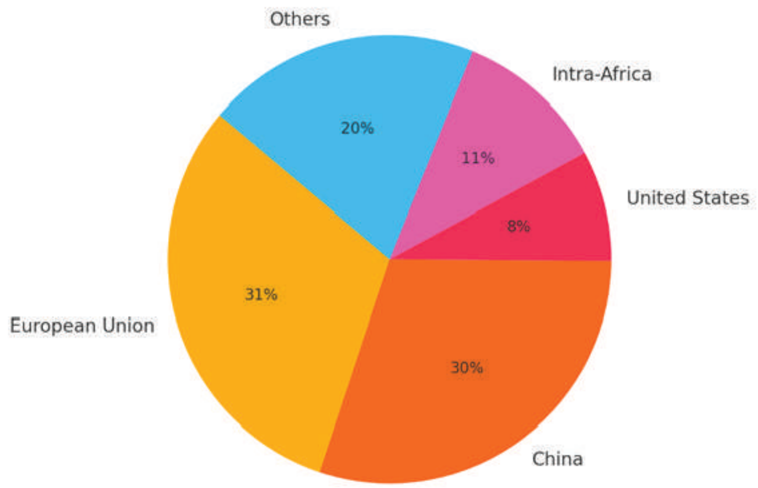


Figure 4.2. Africa's Trade by Partner, 2023. Source: UNCTAD (2023); Afreximbank (2023).

This geographic overlap shows how African countries can leverage multiple memberships in AfCFTA for intra-African trade and BRICS for external partnerships — to amplify their global bargaining position.

Table 4.2: Africa's Top Trade Partners (2023)

Partner	Trade Volume ($B)	% of Africa's Total Trade
European Union	$295	31%
China	$282	30%
United States	$74	8%
Intra-Africa	$102	11%

5. Impacts on Relations with Major Blocs

The AfCFTA's implementation and level of political cohesion directly affect Africa's relations with the EU, China, the US, and the BRICS+ bloc, with each presenting distinct opportunities and challenges.

5.1 European Union: From EPAs to Collective Bargaining

The EU remains Africa's largest trading partner. Its EPAs have long been criticized for fragmenting African markets by binding countries into separate agreements. A fully operational AfCFTA could empower Africa to renegotiate future trade deals collectively, leveraging its market size. The EU's new Carbon Border Adjustment Mechanism (CBAM) presents a critical test: without a unified negotiating position, CBAM could impose significant costs on fragmented African exporters.

5.2 China: Belt and Road Meets Continental Free Trade

China is Africa's largest bilateral trading partner. Its Belt and Road Initiative (BRI) has funded massive infrastructure projects across the continent. With the AfCFTA, unified rules of origin and customs procedures could help African states collectively negotiate better project terms. Amid concerns over debt sustainability, African leaders argue the AfCFTA provides leverage to push for more value-added investments instead of raw commodity exports.

5.3 United States: Rethinking AGOA

The African Growth and Opportunity Act (AGOA) provides duty-free access for qualifying African exports to the US, but its impact has been modest, accounting for only about 1% of Africa's total trade. As the US explores moving from periodic AGOA renewals to a more comprehensive, continent-wide trade plan, the successful implementation of the AfCFTA becomes a critical precondition. Emerging areas of negotiation, such as e-commerce and data governance, will require Africa to develop standardized laws to strengthen its position.

5.4 BRICS+ and South–South Collaboration

The expansion of BRICS to include Egypt and Ethiopia highlights Africa's growing role in South–South trade. This creates two key opportunities: African BRICS members can coordinate to secure more favorable cross-continental investment terms, and the overlap with the AfCFTA adds strategic depth to their negotiating power—provided internal governance barriers are addressed.

Table 5.1: Major Blocs' Trade with Africa (2023)

Bloc	Trade Volume ($B)	Key Issues
EU	295	Fragmentation, CBAM
China	282	Debt sustainability, BRI
US	74	AGOA renewal, digital
BRICS+	170*	Commodity trade, expansion

*Estimate includes intra-BRICS African trade.

Sources: UNCTAD (2023); IMF (2024).

Conclusion and Policy Recommendations

The African Continental Free Trade Area stands as the continent's most significant endeavor to achieve deep economic and political integration. It holds the potential to expand intra-African trade, create a unified market, and enhance Africa's collective bargaining power. However, this transformative agenda is threatened by persistent challenges, including political instability, weak institutions, conflicting regional trade rules, and inadequate infrastructure.

The true test of the AfCFTA will not be measured by ratifications alone but by the ability of African states to harmonizetrade policies, reduce non-tariff barriers, and balance domestic interests with regional cooperation. Failure to address these systemic issues will prevent the AfCFTA from realizing its promise of remaking Africa into a powerful and unified actor in global trade. To bridge the gap between ambition and reality, several policy considerations are paramount:

1. Harmonize Regional Trade Regimes: Prioritize the removal of legal inconsistencies between existing RECs and the AfCFTA framework. Harmonizing duplicative tariff schedules is essential to reduce confusion and inefficiency for cross-border traders.

2. Strengthen Institutional Capacity: Invest in capacity building for customs and border management. Implementing digital customs platforms and strengthening the Dispute Settlement Body will ensure transparent and enforceable resolution of trade disputes, moving beyond opaque diplomatic channels that weaken collective bargaining.

3. Address Infrastructure Deficits: Scale up blended finance facilities to support strategic investments in transportation networks, ports, and digital infrastructure. Bolstering the AfCFTA Adjustment Facility is also crucial to help countries manage short-term revenue losses from tariff reductions, thereby securing continued political support.

4. Enhance Diplomatic Coordination: Adopt common negotiating positions on critical issues, such as the EU's CBAM, the future of AGOA, and new BRICS+ trade agreements. This will reduce the risk of external actors exploiting divisions among member states. Africa's youthful population and growing digital services sector should also be leveraged as strategic assets in trade negotiations.

5. Formalize Informal Trade: Recognize the vital contribution of informal traders by simplifying and digitizingcross-border procedures. This can expand the tax base while enhancing compliance with AfCFTA rules. Special attention must be given to protecting women traders, who account for approximately 70% of informal cross-border trade, to ensure their inclusion in a more predictable and secure trading system.

Together, these strategies can help transform the AfCFTA from a political statement of intent into an operational reality that reshapes Africa's place in the global economic order.

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