

The African Continental Free Trade Area and Regional Economic Integration: Potential Economic Benefits and Challenges

¹Abdulrahman Adamu,
²Ahmed Haroon Jazbhay
& ³Everisto Benyera

¹Department of Political Science,
Federal University, Gusau, Nigeria
^{2&3}Department of Political Sciences,
University of South Africa

Article DOI:
10.48028/iiprds/ssljprds.v10.i1.07

Keywords:

Africa, AfCFTA,
African Union, Trade
Facilitation, Regional
Integration

Corresponding Author:
Abdulrahman Adamu

Abstract

The paper examined the African Continental Free Trade Area with a view to assessing its potential economic benefits and challenges for regional economic integration. The paper adopted qualitative methodology and approach in obtaining relevant data towards achieving the objectives. Specifically, qualitative data were obtained from secondary sources such as books, journals, periodicals as well as official documents. It argues that the number of states accepting regional economic integration initiative such as the AfCFTA is one of the major features of globalization whose benefits have not been evenly distributed among nations. It argues further that the African Continental Free Trade Area (AfCFTA) presents a major opportunity for African countries to pull 30 million people out of extreme poverty and to raise the income level of 68 million others who live on less than \$5.50 per day. The paper reveals that with the implementation of AfCFTA, trade facilitation measures that cut red tape and simplify customs procedures would drive \$292 billion of the \$450 billion in potential income gains. That is to say, that implementing AfCFTA would help usher in the kinds of deep reforms necessary to enhance long term growth in African countries. It further reveals that the African Continental Free Trade Area (AfCFTA) agreement is capable of creating the largest free trade area in the world measuring the number of countries participating in the agreement. It concludes that achieving economic prosperity by 2063 is such a long period, but African countries must adhere strictly to the principles and objectives of the agreement and avoid anything that will cut short the life span. The paper recommends that the African Union should as much as possible, ensure the protection of the key interests of participating member states by launching in-depth studies as well as mandating member states to commission nationwide enlightenment and sensitization programmes on the AfCFTA so as to give it regional acceptance. It recommends further that the key planners and players should focus implementation on security and terrorism, abide by the agreement of the AfCFTA, avoid conflictual policies that may affect free trade especially domestic policies and ensure the availability of adequate transportation system such as road and rail networks.

Background to the Study

There is no gainsaying the fact that Africa has made various efforts towards promoting economic integration. Suffice it to say that the efforts of the African leaders towards achieving unity and integration were backed by visions of Pan-Africanism as a movement which began outside the continent, but later took root in the anti-colonial struggle. Thus, the immediate post-colonial era was to be characterised by intense contestations on the form that African unity should take between radical Casablanca group favouring immediate unification and the moderate Monrovia group, disposed to functional cooperation. It is fundamental to note that in the past decades, much attention was given to the globalization of the world. One of the positive goals of globalizing the world has been free trade among countries of the world targeted at making Africa world's market for business and investment. The aim was to make easy the economic transactions and co-operation among countries which will attract the world. Trade has been the driving force of economic, social and political integration of African countries for many decades prior to the establishment of Africa's first regional body, the Organization of African Unity (OAU), in 1963 (UNCTAD, 2010). This saw the development of various continental bodies, policies and agenda on how to curb the challenges imposed by trade limitations. In order to dismantle the trade barriers among African countries and to boost economic prosperity, the African continental free trade area (AfCFTA) was implemented by African Heads of states under the umbrella of various African sub-regional and regional bodies such as African Union (AU), Economic Community of West African States (ECOWAS), Eastern African Union, Southern Africa Economic Union (SAEU) and a host of others.

The ostensible reason behind the introduction of African Continental Free Trade Area (AfCFTA) is fundamentally to better the lives of Africans and improve on the economic life of Africans. Weighing the pros of this initiation, African continent stands a greater chance to benefit less tariffs, custom duties and border challenges (imposed by trade limitations) which may result to less prices of commodities, generation of employment opportunities and create more wealth for Africa. It may not be an overstatement to state that all participating members of the African continental free trade area stand the chance to benefit from positive trade relationship that will ease trade and investment drive among the member States. The signing of the agreement comes with great advantages for member States but the challenges were not given much attention or forecasted by the African continental free trade area initiators. Currently, most African countries still hold unto the idea of protectionism. Evidences have shown that trade legislative instruments of most African countries revolve around the mercantilist ideology, seen to be a set-back to economic development in the continent. There is a broad consensus among economists that protectionism has negatively impacted on economic growth and economic welfare while free trade and the reduction of trade barriers have some positive effects on economic growth and economic stability (BBC, 2018; Bloomberg, 2018; Africa news, 2018; AU, 2019; Justina, 2018 and Arab news, 2018). The paper examined the African continental free trade area (AfCFTA) agreement, with a view to identifying the potential economic benefits and the likely take off challenges. The paper is subtitled and discussed under various sub-heads in line with its objectives below.

Conceptual Clarifications

This section deals with the explanation of basic concepts, within the context of available literatures that are germane and relevant in the discourse of the subject under investigation. These concepts are regional economic integration, Free Trade, Free Trade Area and Trade facilitation.

Regional Economic Integration: A number of scholars have conceptualized regional economic integration from various perspectives and each of them represents their distinct scholarly standpoint. For instance, Carbaugh (2004), defined economic integration as a process of eliminating restrictions on international trade, payments and factor mobility i.e. the unity of two or more national economies in regional trading agreements. Regional economic integration involves the process of trade, economic and financial convergence of integrating states (Bisworo 2003). According to Jacob Viner (1950), economic integration is viewed in the perspectives of the customs union theory. The Customs Union Theory (CUT) identifies and stipulates that the main tenets of regional economic integration include the removal of tariff and non-tariff barriers among member states, having a common external trade policy which initiates common external trade restrictions against non-members, initiating free movement of goods and services, as well as free movement of factors of production across national borders, harmonization of policies, unification of national monetary policies, and acceptance of a common currency.

The main motivation for any regional integration schemes is often anchored on the prospects of enhanced economic growth and development and it undergoes different sequential stages. The stages of economic integration, according to Balassa (1961) include: free trade area, customs union, common market, economic union, and complete regional integration. Most regional groupings adopt this model in their pursuit of regional economic integration. Even though, Viner's arguments that trade creation and trade diversion are potential outcomes of preferential trading systems, Africa's integration seeks developmental outcomes as well. As a result, African leaders believe that a focus of static economic theory with the impact of trade diversion on economies may overlook the fact that the continent's integration objectives often transcend narrow economic considerations.

Free Trade

Free trade is a trade policy that does not restrict imports or exports. It can also be seen as a free-market idea that applies to international trade. From the government ideological perspective, free trade is predominantly advocated by political parties that hold liberal economic standpoint while economically left-wing and nationalist political parties generally support protectionism (Murschetz, 2013; Peláez, 2008; Mansfield, 2012; and Warren, 2008). The drivers of free trade are political players in the international or regional and even sub-regional level. Thus, free trade can be regarded as a process of liberalizing the intricacies behind trade among countries.

However, the notion of free trade system in many sovereign States began in a rudimentary form in the 16th century Imperial Spain (Giovanni, 1994). American jurist, Arthur Nussbaum

pointed out that Spanish theologian Francisco de Vitoria was "the first to set forth the notion (though not the terms) of freedom of commerce and freedom of the seas" (Arthur, 1947). British economists, Adam Smith and David Ricardo later developed the idea of free trade into modern and recognizable forms.

Free trade has become one among prominent concepts and policies advocated by most countries in recent times. This is due to the economic crises facing the whole world as a result of the outbreak of COVID-19. In Africa for instance, the economy was set to grow at about 3.4 % in 2019 and projected to increase to 3.9% in 2020, but COVID-19 has had a very negative impact on the continent's economy. It is on record that over 53% of Africa's exports go to many countries particularly Europe, that are themselves suffering from the pandemic (Wamkele, 2020) which has had negative effect on Africa's export markets. The African service sector is set to fall by between 20% and 30%, particularly travel and hospitality.

The clamour for free trade and economic cooperation among African countries has become a significant project that can revive the economy of African countries. The concept of free trade came into limelight and gained prominence largely in the globalization agenda. The phenomenon received more attention in the economic cooperation of different independent states and continental or sub-regional economic groupings. History shows that, Free trade was best exemplified by the unilateral stance of Great Britain who reduced regulations and duties on imports and exports from the mid nineteenth century to the 1920. This signifies that adopting a trade policy is not just what will guarantee the effectiveness of the trade but the heads of states have roles to play in resolving regulations and legislations that may antagonize the free trade agreement.

Free Trade Area: the UNCTAD (2010), Article XXIV of the GATT defines a free-trade area as an agreement among a group of two or more customs territories in which the duties and other restrictive regulations of commerce are eliminated on substantially all the trades between the constituent territories in products originating in such territories. In a Free Trade Area, participating member states decide on their own tariff policies and impose any level of tariffs against non-member countries. This accounts for why Schiff and Winters (2003) opined that member countries may reduce external tariffs for three reasons viz: reduce trade diversion, protect loss of tariff revenue, and ensure competitiveness of goods.

Trade facilitation

The United Nations Economic Commission for Europe (2003) gave a definition of Trade Facilitation that covers the following elements:

The agreement of sale between the buyer and seller; the processing of the agreed commercial documentation; compliance with health, safety and other regulations and standards; the fulfillment of the required customs and other documents and procedures at the time of border crossing; the efficient movement of the goods from the seller's to the buyer's premises; compliance of the goods with the buyer's requirements; payment for the goods; and disposal of goods and end products.

The African Continental Free Trade Area Agreement (AfCFTA)

Over six decades ago, the Organization of African Unity (OAU now AU) was founded by the independent States of Africa. The OAU was aimed at promoting cooperation between and among African States. In 1980, the Lagos Plan of Action was adopted by the organization. The plan proposed that Africa should minimize reliance on the external world by promoting intra-African trade. Thus, this effort began with the creation of various regional cooperation and formed different organizations in different regions of the continent such as the Southern African Development Coordination Conference (SADCC). There was also the Abuja Treaty of 1991, which created the African Economic Community, an organization that promoted the development of free trade areas, customs unions, an African Central Bank, and an African common currency union (UNCTD, 2019 and AU, 2019). During the 2012 African Union summit in Addis Ababa, African leaders agreed to create a new Continental Free Trade Area by 2017. It was observed that African countries wanted to nurture economic development and growth by adopting the model or approach used by the Western World when forming the European Economic Community.

The African continental free trade area is a policy that began its establishment in January, 2012 in Addis Ababa, Ethiopia, under the zealot of various African heads of state. In 2012 at the African Union (AU) 18th Session from 29-30 January in Addis Ababa, African Heads of State and Government recognized that 'the promotion of intra-African trade is a fundamental factor for sustainable economic development, employment generation and effective integration of Africa into the global economy' and decided to establish the Continental Free Trade Area (CFTA) by 2017 (ITC 2018). In doing so, it was agreed that they endorse a framework, road map and architecture for fast-tracking the establishment of the CFTA and the Action Plan for boosting Intra-African Trade. According to the guide of the agreement established on the formation of the African continental free trade area, the focus of the establishment of the Continental Free Trade Area aimed at integrating Africa's markets in line with the objectives and principles enunciated in the Abuja Treaty during the Twenty-Fifth Ordinary Session of the Assembly of Heads of States and Governments of the African Union held in Johannesburg, South Africa from 14-15 June 2015”

Again, the quest for African economic integration has been specified by the Third World Network Africa. The adoption of the Agreement establishing the African Continental Free Trade Area (AfCFTA) in March 2018 by African Heads of States and Governments represents an important milestone in the quest for African economic integration (Third World Network-Africa, 2019). The purpose of African economic integration was itemized thus;

1. The imperative for African countries to pool their resources and harmonize their activities in the economic field.
2. The need to eliminate the barriers to trade among the African countries and thereby strengthening their economies.
3. The possibility of establishing a free trade area between the various African countries.
4. The ways and means of effecting the harmonization of existing and future national development plans” which were enshrined in the 1963 OAU resolution.

The ACFTA has two basic objectives which are general and specific. The general objectives of the African continental free trade area (AfCFTA) are to: create a single market for goods and services, facilitated by movement of persons in order to deepen the economic integration of the African continent and in accordance with the Pan African Vision of “an integrated, prosperous and peaceful Africa” enshrined in Agenda 2063; create a liberalized market for goods and services through successive rounds of negotiations; contribute to the movement of capital and natural persons and facilitate investments building on the initiatives and developments in the State Parties and RECs; lay the foundation for the establishment of a Continental Customs Union at a later stage; promote and attain sustainable and inclusive socio-economic development, gender equality and structural transformation of the State Parties; enhance the competitiveness of the economies of State Parties within the continent and the global market; promote industrial development through diversification and regional value chain development, agricultural development and food security; resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes.

On the other hand, the specific objectives as enumerated in the document of the agreement which are complementary in achieving the general objectives. The specific objectives are;

- a. Progressively eliminate tariffs and non-tariff barriers to trade in goods
- b. Progressively liberalize trade in services
- c. Cooperate on investment, intellectual property rights and competition policy
- d. Cooperate on all trade-related areas
- e. Cooperate on customs matters and the implementation of trade facilitation measures
- f. Establish a mechanism for settlement of disputes concerning their rights and obligations; and,
- g. Establish and maintain an institutional framework for the implementation and administration of the AfCFTA.

Worthy of note is that, the scope of the policy revolves around goods, trade in services, investment, intellectual property rights and competition policy. The policy was meant to kick-off in phases. For example, in phase II of the agreement, Member States shall enter into negotiations in areas such as intellectual property rights, investment and competition policy. AfCFTA negotiations were divided into two stages viz: the first covers trade in goods and services; the second will include investment, competition policy and intellectual property rights.

In spite of such development and efforts by African Heads of State to come up with such progressive economic policy, most of the stones were left unturned which could be attributed to different regional economic communities that existed. Most of these RECs such as the ECOWAS already had their economic and trade policies on ground although not actively in operation. Some of the Heads of State fail to adhere to the agreement of their various regional economic communities of which they are members. The same faith is assumed to be for the Africa continental free trade area. This is because since its establishment, many countries have not yet consented to the AfCFTA agreement. Thus, the AfCFTA is a mega economic plan that

can be well facilitated and achieved through RECs in Africa but till date, many challenges are still faced by some countries like Nigeria to actively begin the operation of African continental free trade area.

Table 1 below shows the major regional blocs and membership of the African Continental Free Trade Area

Table 1: Main REC/African Trade Blocs

Trading Arrangement	Member States
Common Market for Eastern and Southern Africa (COMESA)	Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Arab Republic of Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Tanzania, Zambia & Zimbabwe
South African Development Community (SADC)	Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe
South African Customs Union (SACU)	Botswana, Lesotho, Namibia, South Africa & Swaziland
West African Economic and Monetary Union (UEMOA)	Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal & Togo
Economic Community of West African States (ECOWAS)	Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, the Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone & Togo
Central African Customs and Economic Union (UDEAC)	Cameroon, the Central Africa Republic, Chad, the Republic of Congo, Equatorial Guinea & Gabon;
Economic Community of Central Africa States (ECCAS)	Angola, Burundi, Cameroon, the Central Africa Republic, Democratic Republic of Congo, the Republic of Congo, Equatorial Guinea, Gabon, Rwanda and Sao Tome & Principe
East Africa Community (EAC)	Kenya, Tanzania and Uganda; Cross border Initiative Burundi, Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Swaziland, Tanzania, Uganda, Zambia & Zimbabwe
Economic and Monetary Community of Central Africa (CEMAC)	Cameroon, the Central Africa Republic, Chad, the Republic of Congo, Equatorial Guinea, Gabon, and Sao Tome & Principe
Economic Community of the Countries of the Great Lakes (CEPGL)	Burundi, the Democratic Republic of Congo & Rwanda
Indian Ocean Commission Comoros	Madagascar, Mauritius, Reunion & Seychelles
Mano River Union (MRU)	Guinea, Liberia & Sierra Leone

Source: Compiled by the Authors (2022) using (UNCTD, 2019 and AU, 2019).

Table 1 above shows that there are parallel and multiple memberships in the various regional trading blocs in Africa. In terms of stages and timelines for the attainment of the AEC, the first stage which deals with the creation of regional blocs in regions where such do not yet exist was expected to be completed by 1999. The second stage which focuses on the strengthening of intra-REC integration and inter-REC harmonization of tariffs was expected to be completed in 2007. While the stage three has to do with the establishment of a free trade area and customs union in each of the regional blocs which was expected to be completed by 2017. Stage four deals with the establishment of a continent-wide customs union and was also expected to be completed by 2019. The fifth stage which focuses on the establishment of a continent-wide African common Market is expected to be completed by 2023. The final stage which is the sixth stage embraces the establishment of a continent-wide economic and monetary union and thus, a currency union and parliament, is expected to be completed by the year 2028.

Table 2: Summary of the Stages and Timelines for Achievement of the Abuja Treaty

Stage/Timeline	Target
Stage 1 – 1999	Strengthen existing regional economic communities (RECs) and establish RECs in regions where they do not exist;
Stage 2 - 2007	Stabilize tariff and non-tariff barriers, customs duties and internal taxes in force within RECs, develop time-table for gradual removal of tariff and no-tariff barriers to regional trade; strengthen sectoral integration at regional levels in all areas of activity; coordinate and harmonize activities among regional economic communities
Stage 3 - 2017	Establish a Free Trade Area (FTA) through implementation of the time-table for gradual removal of tariff and non-tariff barriers to intra-community trade, establish a customs union by adopting a common external tariff within RECs
Stage 4 - 2019	Co-ordinate and harmonize tariff and non-tariff systems among the various RECs with a view to establishing a customs union at the continental level by means of adopting a common external tariff
Stage 5 - 2023	Establish an African common market through sectoral integration; harmonization of monetary, financial and fiscal policies; and free movement of persons and rights of residence and establishment within the Continent
Stage 6 - 2028	Consolidate and strengthen the African common market through free movement of people, goods, capital and services; integrate all sectors; establish a single domestic market and a Pan-African economic and monetary union; set up the African Monetary Union, establish a single African central Bank and create a single African currency; set up the Pan-African parliament and election of its members by continental universal suffrage; finalize harmonization and coordination of RECs; set up the African multi-national enterprises in all sectors; set up the organs of executive organs of the AEC.

Source: Ihua, B., Ike-Muonso, M., and Taiwo, D. (2018).

An Independent Study on the Potential Benefit of the African Continental Free Trade Area (AfCFTA) on Nigeria. Abuja: Nigerian Office for Trade Negotiations

Potential Economic benefits of the AfCFTA

The African Continental Free Trade Area will be the largest free trade area since the establishment of the World Trade Organization in terms of the number of countries participating in the agreement. Most importantly, the AfCFTA will cover a market of 1.2 billion consumers and gross domestic product (GDP) of 2.5 trillion U.S. dollars (Attia, 2019).

In the comparative cost advantage theory David, Roy and Graeme, (1993:1) confirmed that;

The most fundamental argument for international trade is that it enables a country to expand the quantity of goods and services it consumes. Through imports, a country can acquire goods and services that it either cannot produce at home or can produce at home only at a cost that is greater than the cost of obtaining them indirectly by exchanging them for the exports it produces. In other words, through trade, a country can obtain goods and services with greater efficiency by specializing in those activities in which the country has a comparative advantage.

From the foregoing, African countries might likely engage more in exportation. AfCFTA is expected to enhance competitiveness at the industry and enterprise level through exploitation of opportunities for scale production, continental market access and better allocation of resources (Attia, 2019). He explained further that the AfCFTA will support Africa's industrialization and reduce the continent's reliance on external resources. According to the Economic Commission for Africa (ECA), AfCFTA has the potentials both to boost intra-African trade by 52.3 percent by eliminating the import duties, and to double this trade if non-tariff barriers are reduced as well (cited in Attia, 2019). Another potential benefit is that AfCFTA will set the foundation for the Continental Customs Union. This will be a new achievement to be ushered in by the AfCFTA.

African countries stand to benefit more from implementation of the agreement. Since most of the African states are developing and under-developed, the agreement will make goods and services available and accessible for most countries very easily which ordinarily they would have found difficult to access. That is to say, there will be free flow of goods and services around and within the African continent. Also, the largest employment growth rates are found in manufacturing industry followed by some services and agriculture subsectors (Saygiliyet al., 2018). As intra-African trade has a higher skill and technology content than Africa's trade with others, the AfCFTA can improve diversification, and the industrial product and technology content of AU member states' exports (Third World Network-Africa, 2019:26). Some of the gains that African countries stand to enjoy after the implementation of the agreement are as follows;

Availability of goods and services: Both goods and services in raw or processed forms will be available for the member countries thereby boosting the capacity of the market.

Less Trade Barriers: Most countries in Africa and businesses will stand a chance to be free from trade barriers. Trade barriers such as trade tariff, quotas, import duties, customs duties and other trade legislations will be eliminated or minimized. African countries that are members to this agreement will have fewer worries over import and export limitations. The expected outcome is often that the long-term benefits are greater than the short-term losses and other adjustment costs. According to Saygili et al. (2018), tariff revenue loss would be equivalent to between 7.2 per cent (FTA with 'Special Product Categorization') and 9.1 per cent of current revenues (a 'full FTA'). On another hand, toxic and informal goods and products may flood the market as well, which may further compromise the agreement.

Generating Employment: Arguably, the African continent is said to be the region in the world with higher rate of unemployed population. Therefore, the African continental free trade area will generate more employment especially for the youths in the continent. AfCFTA will increase real wages for unskilled workers in the agricultural and non-agricultural sectors, as well as for skilled workers, with a small shift in employment expected from agricultural to non-agricultural sectors. The liberalization of trade will generate employment opportunities for citizens. The free trade agreement will warrant divergent economic activities to take place between and among member states. This will further generate employment of various kinds for the citizens. Considering the expected economic benefits, (Mevél and Karingi, 2012) stated that real wages would increase, and increase more for 'unskilled' labourers (0.74 percent in agriculture, 0.8% in non-agricultural sectors) compare to 'skilled' labourers (0.54 percent).

Investment and Business Opportunity: The African continental free trade area (AfCFTA) will become a business opportunity for Africans. More business activities and investment will be made possible. Also, business partnership among organizations and industries will be extended to other countries.

Free Market: No legislation or restriction will be placed against market forces. The perimeter of the market will be free for conveniences of business and other economic activities. This sets out the vision to create a single liberalized market for goods and services, facilitated by movement of persons, in order to deepen the economic integration of the African continent (ITC 2018). This will be done through successive rounds of negotiations towards the elimination of tariffs and non-tariff barriers to trade in goods, and progressive liberalization of trade in services.

Regional Specialization: Free trade leads to regional specialization as it enables the different countries who are members of the agreement to produce those goods on which they have comparative advantage. International trade enables countries to obtain the advantages of specialization. First, a great variety of goods and products may be obtained. Secondly, specialization also leads to an increase in total production and dominancy over the

production of certain goods. Thus, the AFCFTA will be accompanied by additional dynamic benefits such as export diversification, durable sustained growth, and enlarged regional market that better attracts FDI, with wider economic space for industrialization and catalytic effects for structural transformation.

Increase in Production and Consumption: African countries have suffered from lack of production capacity right from the word go, due to poor technology and machineries. As a result of this, its production capacity has not met the level of its consumption. The free trade area will make local industries to maximize the potential of economies of large-scale production. For example, if certain goods are produced only for the indigenous market, it would not be possible to achieve the full advantage of large-scale production. Therefore, African continental free trade area will increase the production and the availability of products, services and goods to be consumed by member states. This will boost the GDP of African states and enhance the production of goods and services in the continent for their consumption. Similarly, Saygili, Peters, and Knebel (2018) agreed that GDP would grow by 0.66-0.97 per cent and employment by 0.82-1.17 per cent. By this, the AFCFTA would expand the size of Africa's economy to US\$29 trillion by 2050, as estimated by the United Nations Economic Commission for Africa.

Increases Economic Relations: The agreement will boost economic relations among member States. This will be an avenue for most African countries to cooperate and maximize the opportunities envisaged by the AFCFTA. There is every tendency that, considering the potential benefits, African States especially member states, would increase intra-African trade by up to 52.3% if the AFCFTA kicks-off effectively. Growth in intra-African trade is estimated at 24 to 33 percent (Saygili et al, 2018). There appears to be consensus that the share of intra-African trade would not double within the next 10 years as wished by AU member states. It was discovered that, this finding prompted Mevel and Karingi (2012) to argue for measures complementary to tariff elimination.

Consumer Benefits: The agreement will lead to more access to consumer goods in the continent and intensify the exportation of local products and raw materials. Most goods and service prices will be at affordable rate for citizens thereby reducing the level of poverty in the continent.

Potential Challenges of the African Continental Free Trade Area

In spite of all the potential economic benefits of the African Continental Free Trade Area highlighted and discussed above, there are challenges that Africa must deal with if the objectives must be achieved. In Africa, formulation of policies and programmes has not always been the challenge but implementation. One of the key challenges facing the AU in establishing the AfCFTA is the need for cooperation among the multitude of RECs in the continent, which most times result in the overlapping membership of several RECs. Overlapping trade agreements have been a reason for the weak implementation of regional integration schemes in Africa and the limited trade effects of the agreements. Tavares and

Tang (2011) suggest that the complexities created by overlapping memberships risk slowing down trade liberalization within the integration area and hampering the effect on integration.

Another challenge likely to confront the AfCFTA is poor transportation facilities in Africa. Most African countries have poor road networks, poor rail system and poor facilities that are needed to facilitate the goals and aspiration of the agreement. In fact, there are no suitable road networks that connect one African country to another.

UNECA ARIA V's econometric analysis observed that with enhanced TF, the CFTA would boost intra-African trade to the tune of 21.9 per cent of total trade of Africa by 2022 (from 2010 levels), compared to 15.5 per cent without it. Similarly, Mevel and Karingi (2012), noted that “although CFTA would significantly contribute to increasing trade and its sophistication within the African continent, the removal of strictly tariff barriers would not be sufficient to double the share of intra-African trade at the horizon in 2022. This goal could only be achieved if complementary non-tariff measures aiming at easing trade such as, decreasing the length of customs procedures and port handling are adopted.”

According to Attia, (2019), the main challenge facing the African continent is that most of the African States are least-developed countries (LDCs) and most of these countries are suffering from trade supply constraints. He further stated that it is needless to say liberalizing trade is a necessary condition for economic development; however, it is not a sufficient condition. The third world, developing and under-developed countries' categorization will affect the effectiveness of the trade agreement as most of these African states that are parties to the AfCFTA are developing and under-developed countries.

Another challenge is that most African indigenous industries might be short lived. Too many demands may be placed on foreign goods while indigenous firms and industries may suffer. These will result to poor revenue and productivity of the indigenous firms. It might lead to wind down of small firms and businesses. Bad governance has always been a problem in many African countries. The AfCFTA agreement is likely to be confronted with the malaise of bad governance. This would affect the functionality and implementation of the agreement.

Free market idea may sound positive but it will lead to unemployment in the agricultural sector.

In light of the above, Adam Person (2010) observed that;

The free market restructuring of national economies over the recent decades has had a particularly dramatic effect on the agriculture in many African countries. In converting diverse local economies into expo trade systems, millions of people working in subsistence agriculture lost access to local market or the means of production. He observed further that, countless of these small-scale producers are forced to migrate to urban centers if they cannot compete with heavily industrialized... on top of this migration, Africa's undeveloped manufacturing sector means that there are insufficient jobs outside of the traditional agricultural sector, resulting in increased unemployment.

Similarly, Third World Network-Africa, (2019:28) revealed that;

Tariff elimination under the AfCFTA might cause unemployment and lower wages in certain sectors and involve increased health care costs and costs for retraining. This may create social tensions and problems unless compensatory or 'flanking' measures are set in place. Besides labour costs, other adjustment costs can include the lower utilization of productive assets and the need to make new investments in order to respond to new competitive conditions.

Suffice it to say that, “Labour mobility across sectors is limited in developing countries” (Goldberg and Pavcnik (2004). Thus, “... tariff elimination under the AfCFTA is expected to be generally positive and its negative impact muted due to relatively low levels of intra-African trade, any trade agreement generates distributional effects within countries and across countries (Third World Network-Africa, 2019:28).

Insecurity and political crisis of the African political mindset will affect the operation of the agreement, especially in the western and northern regions of the continent that have compounded problem of terrorism and insurgencies for over a decade now. Considerations to curb the spread of terrorism, setting of legislation against arms proliferation would be conflictual with the AfCFTA agreement. Finally, the agreement may create monopolistic tendencies as private business owners may benefit more from the agreement owing to the fact that poverty still looms around every corner of African countries.

Conclusion and Recommendations

The paper examined the African Continental Free Trade Area (AfCFTA) and regional economic integration of the African Union (AU) with an eye on its potential benefits and challenges. It argues that the number of States accepting the AfCFTA as a regional economic integration initiative is one of the major characteristics of globalization which this paper revealed that the benefits have not been evenly distributed. The paper was able to also reveal that the AfCFTA has the capacity to serve as a pillar and beacon towards achieving the goal of continental integration widely envisaged in the Abuja Treaty. Thus, African leaders had thought it wise to come up with the African continental free trade area (AfCFTA) agreement aimed at realizing economic growth and development. However, the best African States can do is to measure both the pros and cons of the African continental free trade area agreement so as to balance any dysfunction of the agreement that may arise. Achieving economic prosperity by 2063 is such a long period, but African countries should adhere strictly to the principles and objectives of the agreement if the set objectives must be achieved. African countries must be meticulous in the implementation of the policy so as to avoid compromise between domestic economic policies and the AfCFTA agreement.

Based on the above submission, it is recommended that the African Union should as much as possible, ensure the protection of the key interests of participating member states by launching in-depth studies as well as mandating member states to commission nationwide enlightenment and sensitization programmes on the AfCFTA so as to give it regional

acceptance. By so doing, it will go a long way in transforming Africa's trade potentials and the benefits for the growth and development of participating member states. It recommends further that the key players of AfCFTA must ensure the operationalization of implementation plan and mandate, security and terrorism, abide by the agreement of the AfCFTA, avoid conflictual policies that may affect free trade especially domestic policies, ensure that adequate transportation systems are available such as road networks and rail services, take into account, the rate of competition as suggested in the agreement, otherwise, the market and the economy might experience unnecessary rise in goods and services, bearing in mind, the forces of demand and supply in the execution of the AfCFTA. This is because some countries stand to benefit more than the others. Finally, there should be clearly stated objectives between the free trade agreement and regional economic communities to avoid clashes of operation. If need be, the larger should supersede the minor for the purpose of economic growth and development.

References

- Africanews, (2018). *Forty-four countries sign historic African union free trade agreement* | Africanews, Africanews. Retrieved March 21, 2018.
- Afreximbank (2018). *The African continental free trade area*, Research-Trade Update. (https://afreximbank.com/?smd_process_download=1&download_id=8651).
- African Union, (2012). *CFTA – continental free trade area*, (<https://au.int/en/ti/cfta/about>).
- African Union (2018). *AU- what is agenda 2063*. (<https://au.int/en/agenda2063>).
- African Union. (2019). *African union will launch operational phase of the AfCFTA at summit in Niger*, African Union. Retrieved July 8,.
- Antwi-Danso, V. (2006). Regionalism and economic integration in Africa: Challenges and prospects, *Legon Journal of International Affairs*, 3 (2), 135-157
- Arab News (2019). *44 African nations sign pact establishing free trade area*, March 21, 2018. Retrieved April 7, 2019.
- Arthur, N. (1947). *A concise history of the law of nations*, Macmillan Co. 62. CGTN <https://news.cgtn.com/news/3d3d774e7863544f34457a6333566d54/index.html>
- Attia, S. (2019). *AfCFTA: Opportunities and challenges*, Trade in Goods" (PDF). unctad.org. Retrieved July 8, 2019.
- AU Summit, (2019). *Summary of the key decisions and declarations of the 31st African Union Summit | African Union*". au.int. Retrieved April 7, 2019.

- Balassa, B., (1961). *The theory of economic integration*, London: George Allen and Unwin.
- BBC, (2018). *African states agree massive trade bloc*, BBC News. March 21, 2018. Retrieved March 21, 2018.
- Biswaro, J. M., (2003), *Perspectives on Africa's integration and cooperation from OAU to AU: An old wine in a new bottle*, Washington: WIU.
- Bloomberg, (2018). Africa set to agree \$3 trillion trade Bloc, *Without key economy*, *Bloomberg.com*. March 21, 2018. Retrieved March 21, 2018.
- Carbaugh, R. J., (2004), *International economics, 9th edition*, Ohio: Thomson South-Western
- Giovanni, A. (1994). *The long twentieth century: Money, Power, and the origins of our times*. Verso. p. 58. ISBN 978-1-85984-015-3. <https://www.parliament.uk/about/livingheritage/transformingsociety/tradeindustry/importexport/overview/freetrade/>
- Ihua, B., Ike-Muonso, M., & Taiwo, D. (2018). *An independent study on the potential benefit of the African continental free trade area (AfCFTA) on Nigeria*, Abuja: Nigerian Office for Trade Negotiations.
- ITC, (2018). *A business guide to the African continental free trade area agreement*, Geneva.
- Justina Crabtree (2018). Africa is on the verge of forming the largest free trade area since the World, *Trade Organization*, CNBC.
- Mansfield, E. (2012). *Votes, vetoes, and the political economy of international trade agreements*. Princeton University Press. 128. ISBN 978-0691135304
- Mevel, S. & Karingi, S, (2012). *Deepening regional integration in Africa: A computable general equilibrium assessment of the establishment of the CFTA followed by the CCU*, Paper presented to the 7th African Economic Conference.
- Murschetz, P. (2013). *State aid for newspapers: Theories, cases, actions*. *springer science+ business media*, 64. ISBN 978-3642356902
- Organization of African Unity, (1991). *Treaty establishing the African economic community; Abuja, Nigeria*. (<https://au.int/en/treaties/treaty-establishing-african-economic-community>)
- Peláez, C. (2008). Globalization and the state: volume II: Trade agreements, inequality, the environment, financial globalization, *International Law and vulnerabilities*. United States: Palgrave MacMillan, 68. ISBN 978-0230205314.

- Saygili, P. & Knebel, S. (2018). *African continental free trade area: Challenges and opportunities of tariff reductions*, UNCTAD Research Paper No. 15.
- Schiff, M. & Winters, L. A., (2003). *Regional integration and development*, Washington D.C: World Bank and Oxford University Press.
- Tavares, R. & Tang, V. (2011), Regional economic integration in Africa: impediments to progress, *South African Journal of International Affairs*, 18, 2, 217-233.
- Third World Network-Africa, (2019). *AfCFTA Phase 1 negotiations: Issues and challenges for Eastern Africa*.
- UNCTAD, (2016). *African continental free trade area: Policy and negotiation options for free-trade-pact-best-stimulus-post-covid-19-economies*
- UNECA, (2017), *Assessing regional integration in Africa VIII: Bringing the continental free trade*, Addis Ababa: UNECA.
- Viner J., (1950). *The customs union issue*, New York: Carnegie Endowment for International Peace.
- Warren, K. (2008). *Encyclopedia of U.S. campaigns, Elections, and Electoral Behavior: A-M*, Volume (1). SAGE Publications. p.680. ISBN 9781412954891.
- Wamkele, N. (2020). *AfCFTA: Implementing Africa's free trade pact the best stimulus for post-COVID-19 economies: Africa COVID-19 Coronavirus AfCFTA*. African Continental Free Trade Area (AfCFTA) Secretariat. 15th May <https://www.un.org/africarenewal/magazin/may-2020/coronavirus/implementingafrica's->
- WTO, (2015), *International trade statistics*, Switzerland: World Trade Organization.