



The AfCFTA

Africa's trade challenges

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Trade in Africa is complex and expensive due to high tariff rates and significant non-tariff barriers (i.e. poor customs procedures, and bad transport and logistics systems and infrastructure). This hinders trade flows across borders and often also contributes to smuggling and the growth of the shadow economy if borders are not well policed. Vast amounts of money can be made smuggling items such as petroleum and cigarettes where prices differ substantially between countries.

This is particularly characteristic of economies in North Africa, but evident across the continent.

A 2019 report by the [IMF](#) lists the manifold economic benefits that would flow from regional integration in the Maghreb, including attracting FDI, easing of the movement of capital and labour, more efficient resource allocation and the extent to which regional trade would make the Africa more resilient to external shocks and market volatility. Countries could, on average, add one percentage point to growth rates with regional trade integration. However, instead of increasing, trade openness has steadily declined in every country in the region (except for Morocco) and traders face significant hurdles, particularly in cross-border trade.

In addition to the various structural reasons for Africa's poor growth, such as a declining [demographic dividend](#) until the late 1980s, its function as a proxy battleground during the Cold War, bad governance, poor policy and lack of implementation of agreements all played an important role. Structurally, the continent did not develop regional value chains and hence did not form part of the global value chains in goods and services that developed between parts of Asia, North America and Europe since the 1990s.

Africa's lack of regional integration is a significant obstacle to economic diversification and growth.

Africa is essentially not part of the global discussions on trade. Outside of Africa, economists use the lens of regional and global value chains — the complex network that ties the flows of goods, services, capital and technology together across national borders — to evaluate the strength and potential of economies. Instead, Africa is generally fixated on the growth and structural change in individual economies even as the debate moves on.

Evident for several years, goods-producing value chains are becoming more regionally concentrated, especially within Asia and Europe. Goods-producing value chains are also becoming less trade intensive even as trade in cross-border services is growing more rapidly than merchandised trade. In response to global tensions and concerns around carbon emissions associated with long transport routes, companies are increasingly locating their production facilities in closer proximity to the market rather than closer to cheap labour.

The general trend is towards [regional instead of global value chains](#) is intensifying with the assault of the second Trump presidency on multilateralism and trade. Trade integration in Asia is gaining momentum as Western countries step away from their previous heavy reliance on China and Europe reduces its dependence on oil and gas from Russia. This could offer advantages to Africa with its rapidly growing population and growing consumer base.

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Dr Blessing Chipanda joined the African Futures and Innovation (AFI) programme in January 2023. Before joining the ISS he worked as an assistant lecturer/research assistant at the University of Pretoria, Department of Economics. He is particularly interested in tasks within the wider realm of international trade, development economics, public policy, monetary policy, and econometric modelling. Equally interested in economic and socio-economic activities that impact social welfare. Blessing has a PhD in economics from the University of Pretoria, South Africa.

Dr Jakkie Cilliers is the ISS's founder and former executive director. He currently serves as chair of the ISS Board of Trustees, head of the African Futures and Innovation (AFI) programme at the Pretoria office of the Institute, and is an extraordinary professor at the University of Pretoria. His 2017 best-seller *Fate of the Nation* addresses South Africa's futures from political, economic and social perspectives. His three most recent books, *Africa First! Igniting a Growth Revolution* (March 2020), *The Future of Africa: Challenges and Opportunities* (April 2021), and *Africa Tomorrow: Pathways to Prosperity* (June 2022) take a rigorous look at the continent as a whole.

About African Futures & Innovation

Scenarios and forecasting can help Africa identify and respond to opportunities and threats. The work of the African Futures & Innovation (AFI) program at the Institute for Security Studies aims to understand and address a widening gap between indices of wellbeing in Africa and elsewhere in the world. The AFI helps stakeholders understand likely future developments. Research findings and their policy implications are widely disseminated, often in collaboration with in-country partners. Forecasting tools inspire debate and provide insights into possible trajectories that inform planning, prioritisation and effective resource allocation. Africa's future depends on today's choices and actions by governments and their non-governmental and international partners. The AFI provides empirical data that informs short- and medium-term decisions with long-term implications. The AFI enhances Africa's capacity to prepare for and respond to future challenges. The program is headed by Dr Jakkie Cilliers.