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African Free Trade: Its Potential and Its Obstacles.

A Look Back After 7 Years of the AfCFTA

Publication

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Preface

Many people across the continent have high hopes for the implementation of the African Continental Free Trade Area (AfCFTA). German industry is also watching the free trade zone with interest, as it could influence business decisions and contribute to the diversification of German foreign direct investments and supply chains. Today – seven years after the agreement was formally signed – it is clear that there is still a long way to go toward an integrated African trading zone, and the challenges extend beyond tariff-based trade barriers.



The AfCFTA Between Progress and Implementation Gaps

**The Current Status of Implementation
and Recent Developments**

The implementation of the AfCFTA is a central pillar of the African Union's (AU) Agenda 2063, the strategic framework for the continent's socioeconomic transformation by the year 2063. Once fully implemented, the free trade area would be one of the largest in the world – encompassing 54 countries and a population of more than 1.5 billion people (as of 2025).

What is the Status of the Implementation?

The AfCFTA is currently in a phase between formal ratification and the transposition of the trade protocols into national law. In October 2025, Somalia became the 50th member state to ratify the African Continental Free Trade Agreement. Central to this is the Investment Protocol: It provides for the termination of intra-African bilateral investment treaties (BITs) and their replacement with a common, continental framework for intra-African investments. In addition, the Digital Trade Protocol, which is designed to serve as a continental framework for digital trade, establishes harmonized and transparent rules for the first time. Negotiations on rules of origin for key industries, such as the automotive sector, have also been successfully concluded.

How Does AfCFTA Relate to the Regional Economic Communities (RECs)?

The eight Regional Economic Communities (RECs)¹ comprise individual African countries and subregions. They pursue different objectives and can be divided into those RECs that serve almost exclusively for political coordination (primarily CEN-SAD, IGAD, UAM) and those that promote the regional economic integration of their member countries by reducing tariffs and non-tariff trade barriers and harmonizing common standards (primarily SADC, ECOWAS, COMESA, EAC). However, it is hardly possible to make a strict distinction, and the individual RECs vary in their degrees of integration.

The RECs have a complementary relation to AfCFTA. They are the building bricks of the continental free trade area and form the institutional foundation for a deepened pan-African market integration. The AfCFTA is intended to combine existing regional integration processes and extend them to the entire continent, without undoing the trade liberalization progress already made by the RECs.

For companies operating across borders, this results in a wide range of possible preferential arrangements. Because some countries are members of multiple RECs, companies can choose between different preferential trade agreements depending on the trade scenario. Kenya, for instance, belongs to three such communities. Hence, in trade between Kenya and Uganda, there are theoretically three different preferential trade agreements available. This can result in a significant additional administrative burden for German companies, when entering markets such as Kenya.

This institutional framework presents both opportunities and challenges for pan-African market integration. REC agreements generally reach further, and the economic areas are more integrated or even reached levels of integration that go beyond a mere free trade area (elements of a customs union, common external tariffs, and, in some cases, common monetary systems). On the other hand, overlapping memberships, conflicting trade rules, and differing rules of origin and standards add to the complexity of creating a pan-African market.

The importance of the RECs becomes particularly clear when examining intra-African trade flows: Many countries conduct more than half of their total African trade within their respective RECs.

RECs deepen regional integration but create obstacles to continental harmonization due to overlapping regulatory frameworks, conflicting trade rules, and differing rules of origin.

¹ Arab Maghreb Union (AMU), Common Market for Eastern and Southern Africa (COMESA), Community of Sahel-Saharan States (CEN-SAD), East African Community (EAC), Economic Community of Central African States (ECCAS/CEEAC), Economic Community of West African States (ECOWAS), Intergovernmental Authority on Development (IGAD), Southern African Development Community (SADC).

Figure 1: Regional Economic Communities and Their Member States (RECs)

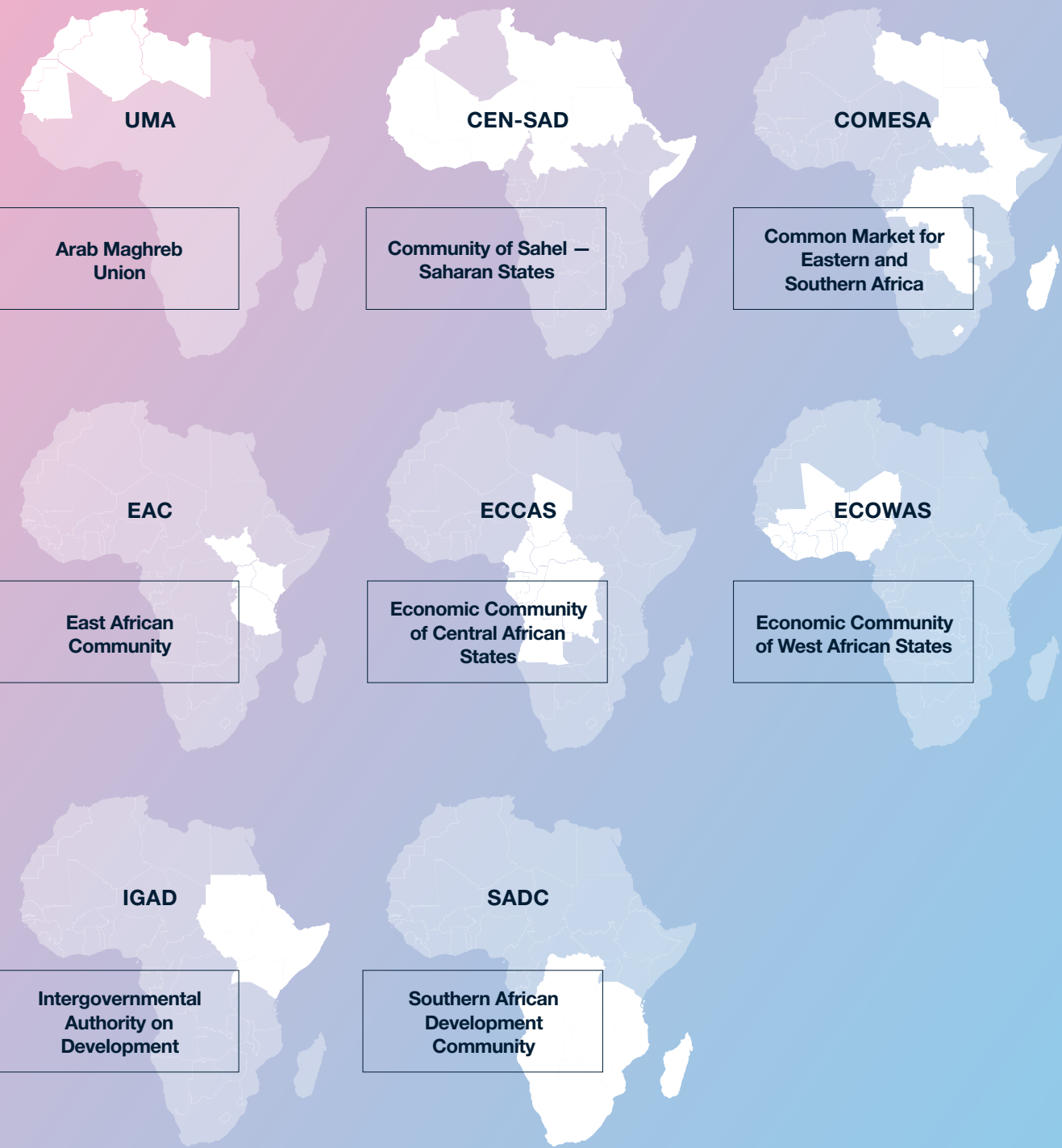
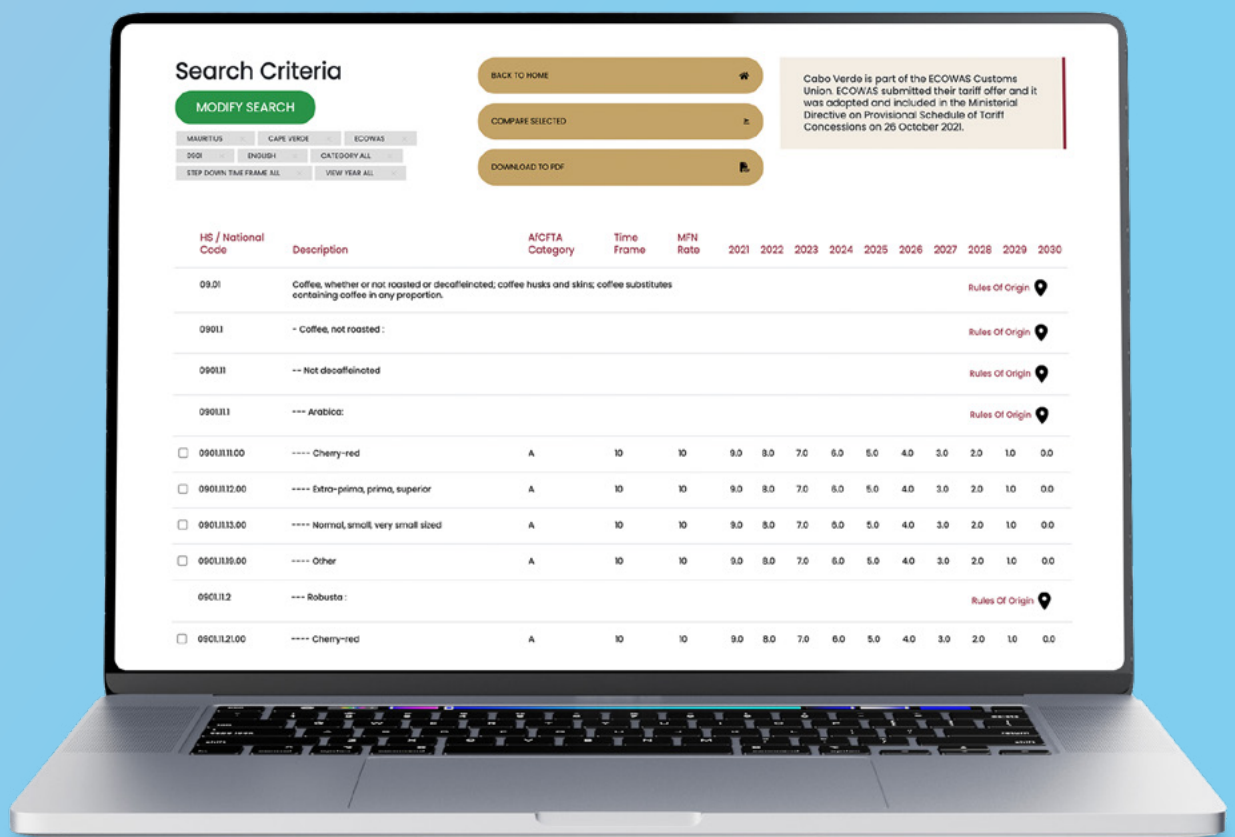


Figure 2: Share of Intra-REC trade in Intra-African Trade (2023)



Source: Tralac Law Centre, 2023.

Figure 3: User Surface of the AfCFTA e-Tariff Book



Source: AfCFTA e-Tariff Book

How Can German Companies Use AfCFTA Already Today?

German companies that manufacture products on the African continent will benefit directly from the agreement if their products meet the negotiated rules of origin.

The AfCFTA e-Tariff Book lists the applicable customs duties and rules of origin for each tariff line between AfCFTA member states, making it an important resource for companies engaged in trade on the African continent.

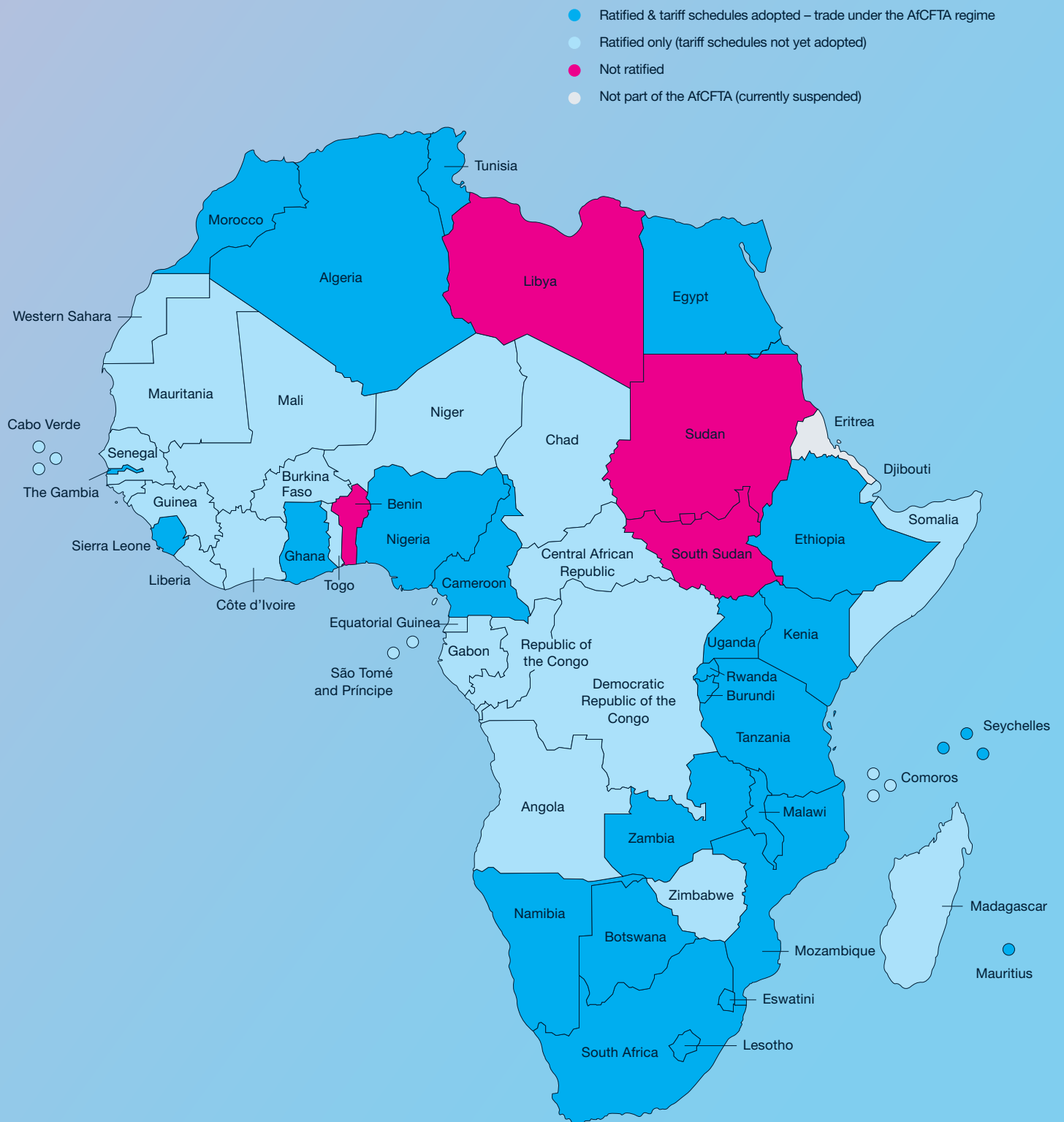
Even companies that do not have access to preferential tariff rates benefit from the general trade facilitation measures of the AfCFTA. These benefits stem in particular from the removal of non-tariff trade barriers, as enshrined in Annex 6 – Technical Barriers to Trade of the AfCFTA, as well as from the ongoing harmonization of customs procedures and border clearance, which contributes to the standardization of market access conditions and enables scalable engagement on African markets.

Specific harmonization projects include the standardization of customs forms and processes, standardized border clearance procedures, coordinated transit rules (Annex 4 – Trade Facilitation) and better cooperation among customs authorities (Annex 3 – Customs Co-operation and Mutual Administrative Assistance).

German companies stand to gain further benefits from the Digital Trade Protocol, which aims to create a unified digital single market, promote interoperable digital infrastructures, facilitate cross-border data flows, and develop standards for e-commerce and digital services. This means, specifically, that German companies will find a more uniform regulatory framework for digital business models. In addition, the Pan-African Payment and Settlement System (PAPSS) facilitates cross-border transactions by enabling payments in local currencies, thereby reducing exchange rate risks and transaction costs. Together, the Digital Trade Protocol and PAPSS help to lower market entry barriers and they enable a more integrated, standardized, and digitally supported entry into African markets.

Non-African companies also benefit from the AfCFTA, as the removal of non-tariff trade barriers enables scalable access to African markets.

Figure 4: Implementation Stage of the AfCFTA Member States



Source: Tralac Law Centre, 2026 & Germany Trade and Invest, 2024.

Why Free Trade Alone is Not Enough

**Structural and Institutional Challenges
for the Integration of an African Market**



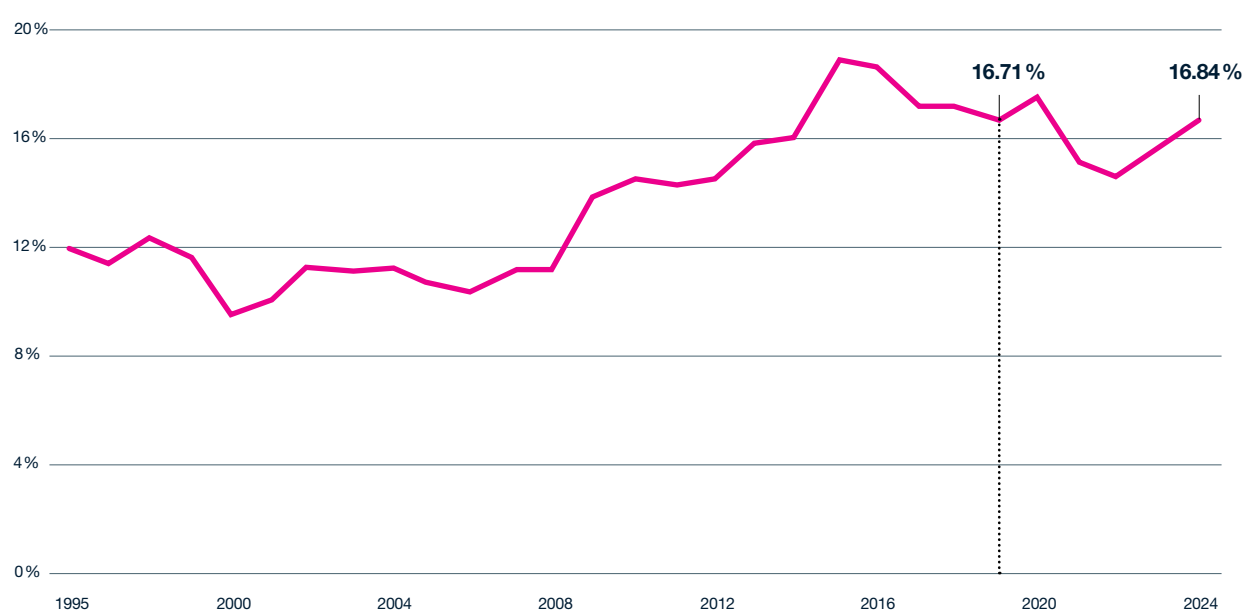
Nevertheless, the AfCFTA is still far from being fully operational. The process of transposing the agreed protocols into national law is proceeding slowly. The practical effectiveness of the agreement therefore remains limited. Persistent delays also undermine the credibility of the participating states, as announced integration measures fail to materialize and doubts arise about their commitment to implementation. Member States often simply lack effective national implementation structures, that bring together negotiations, implementation, monitoring, private-sector engagement, and reporting. The fact that Nigeria did not submit its AfCFTA tariff commitments until April 14, 2025, shows how even economic heavyweights on the continent are failing to implement the agreement quickly at the national level.

Furthermore, despite political commitments, there are challenges in practical implementation at border crossings due to overlapping regulations, uncertainty among customs officials, the application of MFN tariffs, as well as unreliable digital systems and poor connectivity, which lead to delays and disruptions in the flow of goods. The IMF emphasizes, that the success of AfCFTA depends heavily on the modernization of customs services and that the agreement remains ineffective without aligned processes, data- and origin-control, IT systems, and co-ordination among government agencies.

Besides these technical barriers, exporters must also weigh the costs associated with certifying their products in order to prove preferential origin. If these are higher than the so-called preference margin (the customs duties saved by trading under the AfCFTA), duty-free trade remains unused. Particularly in the case of industrial goods with a high degree of processing, certification can result in additional costs, as rules of origin for processed goods are typically more complex and it is more difficult to provide proof of origin.

Overall, there is no evidence that the introduction of the free trade area has increased the share of intra-African trade in total African trade – on the contrary: The share is constant or even declining.

Figure 5: Share of the Intra-African Trade in Total African Trade Volume



Source: UNCTAD, 2026.

Customs-Free Is Good, but Not Good Enough

Despite all the opportunities and challenges presented by the AfCFTA, it is important to emphasize that the elimination of tariffs is a necessary, but not sufficient, condition for African market integration. This is because a lack of infrastructure or insufficiently developed infrastructure continues to be the biggest cost factor in intra-African trade. Infrastructural gaps in transportation, energy, and information- or communication technology result in trade costs in Africa that exceed worldwide average by 50 percent. For example, transporting a container along the 1,500-kilometer long route from Dar es Salaam to Kigali is more expensive than importing it from Asia – a distance that is more than six times as long.

If roads and railways become bottlenecks in infrastructure, it doesn't only make intra-African trade more expensive, but also simply prevents it from happening. This also means that cross-border value creation in Africa falls short of its potential and supply industries fail to emerge.

Similarly, digital infrastructure is becoming increasingly important on the continent – not only for digital business sectors, but also because digital marketplaces are more efficient in bringing supply and demand together across great distances. However, the condition and expansion of the continent's digital infrastructure have also been incomplete so far. Only 36 percent of African households had a broadband connection in 2022.

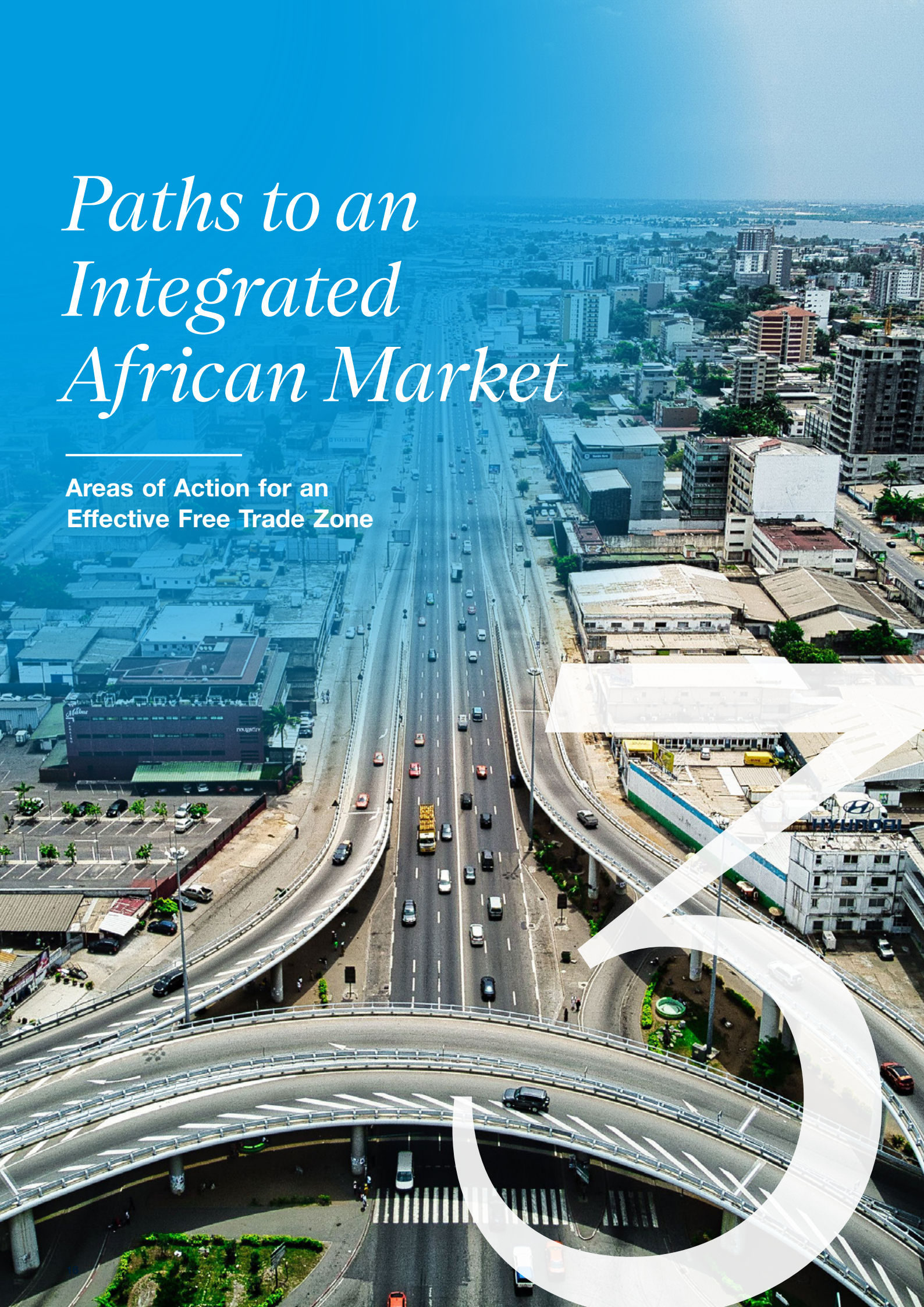
Digital markets can only reach their full potential when data can cross borders freely. In Africa, however, this goal is often hindered by national data localization laws, a lack of interoperability among systems, and a multitude of different regulatory regimes. By now, 44 African countries have their own Data Protection Acts, which all differ in their design and implementation. For companies, this means additional compliance costs and planning uncertainty.

Tariff-free trade is a necessary
but not sufficient condition
for the exchange of goods
between African countries.



Paths to an Integrated African Market

**Areas of Action for an
Effective Free Trade Zone**



The BDI wants to constructively support African market integration – in the mutual interest of our African partners and the German industry, for which Africa is becoming increasingly more important as a market and an investment location. To ensure that AfCFTA becomes a catalyst for further market integration in the medium term, we identify the following five areas of action:

1 Promptly Transpose AfCFTA Protocols into National Law

The AfCFTA member states should promptly transpose the ratified AfCFTA protocols into national law and implement tariff concessions in a legally binding manner. So called National Implementation Committees (NICs), multi-stakeholder bodies established by AU member states at the national level, serve as a bridge between the government, the private sector, and AfCFTA institutions and can significantly advance the practical implementation of the AfCFTA through coordination, strategy development, monitoring, and stakeholder engagement. However, it remains far more important that stakeholders who are hindering the implementation process at the national level change their mindset. Free trade is not a zero sum game. Delays in implementation – purportedly to protect the domestic economy – reduce the potential for cross-border value creation and tend to harm the domestic economy rather than benefit it.

2 Modernize and Harmonize Customs Procedures

The operational effectiveness of the AfCFTA will be determined at the borders of its member states. Many challenges stem from inadequately equipped and trained authorities, as well as a lack of coordination. Member States should make targeted investments to modernize their customs administrations – including training, digitization, and process standardization – and swiftly implement the provisions from the Annex 8 – Transit of the AfCFTA agreement.

Germany should intensify programs that expand capacities of border authorities, such as those already being carried out by GIZ in the Economic Community of West African States (ECOWAS). When implementing digital processes, the respective German organizations should make greater use of digital solutions developed by German companies.

3 Design Rules of Origin Pragmatically; Simplify Certification Procedures

Certification of origin is often time-consuming and involves a significant amount of bureaucracy, especially when the relevant authorities are understaffed or when multiple agencies are involved in the certification process through poorly coordinated procedures. On top of that, additional processing fees apply. In some cases, the high barriers involved in the certification process lead companies to refrain from having their products certified, even though those products would comply with the AfCFTA's rules of origin. The number of institutions involved in the process should therefore be reviewed and, where possible, reduced. Furthermore, secure cloud infrastructures for document and data storage should be established to optimize international cooperation and simplify the certification process for companies that export on a regular basis.

In the future, the preferential treatment guaranteed under Section 101 of the AfCFTA Rules of Origin Manual should be granted based on the proof of origin. This should explicitly only take place once the process to provide a certificate of origin is fully operational and the relevant national authorities have built up sufficient capacities to ensure a smooth cross-border movement of goods.

If the Preferential Utilization Rate (PUR) continues to remain low in the future, consideration should be given to revising and simplifying the rules of origin, for instance by increasing the value of pre-materials without preferential origin.

4

Expand Strategic Infrastructure Corridors

Physical infrastructure remains the key bottleneck for intra-African trade. African countries should cooperate with regional economic communities to identify strategic transport corridors and prioritize their development. The AU can play a coordinating role in this regard and integrate projects into the Agenda 2063. International partners, particularly the EU and Germany, should focus their infrastructure fundings on regional, cross-border projects, particularly within their Global Gateway Initiative.

5

Close Digital Divides, Support the Integrated Digital Single Market

African countries should consistently drive forward the expansion of digital infrastructure while simultaneously reducing regulatory fragmentation. Digital markets can only realize their full potential when data can flow across borders, digital systems are interoperable, and companies can rely on a regulatory framework that is both reliable and as uniform as possible. The AU should therefore resolutely advance the harmonization of regulations governing data flows, data protection, digital identities, electronic signatures, and e-commerce within the framework of the AfCFTA Digital Trade Protocol. National data localization requirements should be critically reviewed and applied only where necessary. At the same time, investment in broadband networks, data centers, digital administration structures, and digital connectivity across borders must be accelerated.



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Imprint

Publisher

Federation of German Industries
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Lobbying Register Number: R000534

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Date

September 2026

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