

**UNIVERSITY
OF
LUSAKA**

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**Assessing the Impact of the African Continental Free Trade Area (AfCFTA)
on Foreign Direct Investment Flows and Industrial Development in
Zambia: A Case Study of the Manufacturing Industry in Lusaka City**

A

Dissertation presented

in Partial Fulfilment for the requirements for the program

Master's in International Relations and Political Science

Clinton Mungala

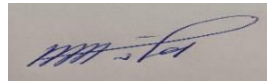
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Declaration

I hereby declare that this dissertation represents my own work, and that it has not previously been submitted for a degree or other qualification at this or any other University.

Signature:



Date January 17th, 2025

Candidate: Clinton Mungala

Supervisor: Gosnell L. Yorke (PhD)

Date: January 17th, 2025

Signature:



Dedication

To my beloved mother, Mutinta Rosina Hajunza, who has been my source of inspiration and strength.

Acknowledgements

First and foremost, I wish to thank the almighty God for the grace he granted me throughout this programme. I also wish to thank my supervisor Dr. Gosnell L Yorke (PhD), who offered me all the necessary support and guidance I needed and patiently helped me to complete this research project. In addition, I wish to thank my mother, Rosinah Mutinta Hajunza, for encouraging and motivating me when I sometimes felt like giving up. In addition, I acknowledge and appreciate my family for their support and inspiration. And finally, all my friends and colleagues who helped me in one way or the other throughout the time I was doing the project, your input, support, encouragements and believing in me were invaluable.

Table of Contents

Declaration.....	ii
Dedication.....	iii
Acknowledgements.....	iv
List of Tables.....	vii
List of Figures.....	viii
List of Acronyms/Abbreviations.....	ix
Abstract.....	x
CHAPTER 1: INTRODUCTION.....	1
1.1 The Background.....	1
1.3 Statement of the problem.....	4
1.3 Research objectives.....	4
1.3.1 General Objective.....	4
1.3.2 Specific Objectives.....	4
1.4 Research questions.....	5
1.4.1 General Question.....	5
1.4.2 Specific Questions.....	5
1.5 Significance of the research.....	5
1.6 Scope of the study.....	6
1.7 The Organization of the Report.....	7
CHAPTER 2: LITERATURE REVIEW.....	8
2.1 Empirical Literature.....	8
2.2 Theoretical Framework.....	11
2.3 Conceptual Framework.....	12
CHAPTER 3: METHODOLOGY.....	15
3.1 Research Approach.....	15
3.2 Research Design.....	15
3.3 Study Population.....	15
3.4 Sample Size.....	15
3.5 Sampling Techniques.....	16
3.5 Data Collection/Instruments.....	16
3.6 Data Analysis.....	16
3.7 Ethical Considerations.....	17
CHAPTER 4: PRESENTATION AND ANALYSIS OF RESULTS.....	18
4.1. Overview of FDI Inflows into Zambia's Manufacturing Sector Pre-AfCFTA.....	18
4.2 Overview of Competitiveness and Comparative Advantage.....	24

4.3 Comparative Advantage of Lusaka’s Local Industries.....	28
4.4 Overview of Policy Frameworks Governing Industrial Development in Zambia..	31
4.5 Institutional Mechanisms Governing Industrial Development.....	33
4.6 Alignment of Policy Frameworks and Institutional Mechanisms with AfCFTA Objectives	35
CHAPTER 5: DISCUSSION OF FINDINGS.....	38
CHAPTER 6: CONCLUSION AND RECOMMENDATIONS.....	59
6.1 Conclusions.....	59
6.2 Recommendations	60
References	62
APPENDICES.....	64
Appendix 1: Interview Guide.....	64

List of Tables

Table 4.1 FDI Inflows.....17

Table 4.2 FDI inflows in Zambia’s manufacturing sector post AfCFTA19

List of Figures

Figure 2.3: Conceptual Framework.....12

Figure 4.1 FDI Inflows.....18

Figure 4.2 FDI inflows in Zambia’s manufacturing sector post AfCFTA20

List of Acronyms/Abbreviations

AfCFTA - African Continental Free Trade Area

FDI - Foreign Direct Investment

GDP - Gross Domestic Product

R&D - Research and Development

SMEs - Small and Medium-Sized Enterprises

UNCTAD - United Nations Conference on Trade and Development

ZRA - Zambia Revenue Authority

MoFNP - Ministry of Finance and National Planning

ZICA - Zambia Institute of Chartered Accountants

ACHPR - African Commission on Human and Peoples' Rights

AU – African Union

Abstract

The African Continental Free Trade Area (AfCFTA) represents a transformative initiative aimed at creating a single continental market for goods and services across 54 African Union Member States. For Zambia, particularly in the manufacturing sector of Lusaka, AfCFTA presents significant opportunities for foreign direct investment (FDI) and industrial growth. However, the extent to which AfCFTA is influencing Zambia's manufacturing industry, especially in terms of competitiveness and FDI inflows, remains underexplored. This study adopts a qualitative approach to assess the impact of AfCFTA on Zambia's industrial development and FDI flows, with a focus on Lusaka's manufacturing sector. Specifically, it aims to analyze trends in FDI before and after AfCFTA, assess the competitiveness of local industries in Lusaka under the agreement, and evaluate the alignment of Zambia's policy frameworks with AfCFTA's goals.

The research design is based on semi-structured interviews with key stakeholders, complemented by the review of secondary data from policy documents and trade reports. The qualitative approach provides a nuanced understanding of the experiences and perspectives of stakeholders, capturing the complexities of Zambia's manufacturing landscape. Data were analyzed thematically to identify key patterns and insights related to FDI trends, industrial competitiveness, and policy alignment.

The findings reveal that AfCFTA has positively influenced FDI inflows into Zambia's manufacturing sector, reversing prior declining trends. Lusaka's local industries, particularly in agro-processing and textiles, have demonstrated resilience and adaptability in the face of increased regional competition. However, infrastructure deficiencies, high energy costs, and non-tariff barriers continue to challenge Zambia's ability to fully capitalize on AfCFTA's benefits.

The study concludes that while AfCFTA offers immense potential for Zambia's industrial development, further efforts are needed to address infrastructure bottlenecks and reduce trade barriers. Key recommendations include investing in energy and transport infrastructure, supporting small and medium-sized enterprises (SMEs), and enhancing policy coherence to fully harness the opportunities presented by AfCFTA. By adopting a qualitative approach, this study provides a detailed exploration of the critical dynamics shaping Zambia's manufacturing sector under AfCFTA.

CHAPTER 1: INTRODUCTION

1.1 The Background

The intersection of trade agreements, foreign direct investment (FDI) flows, and industrial development is a critical area of study, particularly for developing economies like Zambia. Trade agreements, whether bilateral or multilateral, often shape the investment climate by influencing trade policies, market access, and regulatory frameworks. Consequently, they can significantly impact FDI flows and industrial development within a country (Buckley & Ghauri, 2004).

The African Continental Free Trade Area (AfCFTA) marks a significant milestone in Africa's pursuit of economic integration and development. Envisioned as a catalyst for intracontinental trade and industrialization, the agreement aims to create, among other things, a single market for goods and services across the continent. Ratified on January 1, 2021, by the African Union, AfCFTA represents a concerted effort to overcome the historical challenges of fragmented markets and limited economic cooperation in Africa (African Union, 2021).

Zambia, situated in Southern Africa, and like other African states, has long grappled with economic diversification and industrial development. Historically dependent on copper, the country seeks to leverage its potential in other sectors, particularly manufacturing, to foster sustainable economic growth (World Bank, 2020). Lusaka, the capital city and economic hub of Zambia, plays a pivotal role in the country's industrial landscape, serving as a focal point for manufacturing activities and investment (Central Statistical Office Zambia, 2018).

In this context, the implications of AfCFTA on Zambia's industrial development and foreign direct investment (FDI) flows are of paramount importance. As a signatory to the agreement, Zambia stands to benefit from enhanced market access and regional integration. However, the extent to which AfCFTA will attract FDI into Zambia's manufacturing sector and bolster industrial growth remains uncertain (UNCTAD, 2020). The reference to "foreign" in the context of Foreign Direct Investment (FDI) in this paper includes both extra-continental investments (from the Global North and increasingly from the Global East) and intra-African investments under AfCFTA.

While traditionally, FDI in Zambia and other African nations has predominantly come from countries in Europe, North America, and Asia (Global North and East), AfCFTA is

intended to foster increased economic cooperation within Africa itself. This agreement is designed to encourage not only trade but also cross-border investments among African countries. As a result, the term "foreign" in this context refers to any investment that comes from other African countries.

The AfCFTA aims to break down barriers to intra-African investment, making it easier for businesses in one African country to invest in another, thus broadening the scope of FDI to include investment flows from both within and outside Africa. Therefore, both forms of FDI—extra-continental and intra-African—are relevant to this study's analysis of the impact on Zambia's manufacturing sector.

1.2 Operational Definitions

Foreign Direct Investment (FDI): In this study, FDI refers to capital investment made by foreign companies or entities into the manufacturing sector of Lusaka City, Zambia, with the intent of establishing or expanding production facilities, acquiring existing enterprises, or forming joint ventures (Dunning, 1980). FDI will be measured by the volume of capital inflows, the number of new factories established, and the percentage increase in foreign-owned manufacturing firms in Lusaka post-AfCFTA implementation.

Industrial Development: Within the scope of this research, industrial development refers to the growth and expansion of Lusaka's manufacturing sector as a result of increased FDI and enhanced market access under AfCFTA (Asiedu, 2006). It will be measured by the increase in manufacturing output, the number of new industrial projects, job creation in the manufacturing sector, and the level of technological advancement in production processes.

Competitiveness: In this context, competitiveness refers to the ability of Lusaka-based manufacturing firms to produce goods that meet market standards in terms of price, quality, and efficiency, both within Zambia and in the broader African market under AfCFTA (World Economic Forum, 2022). Competitiveness will be measured by market share, export volumes, cost efficiency, and the ability of local firms to withstand competition from other African manufacturers.

Comparative Advantage: This term will refer to the specific sectors within Lusaka's manufacturing industry that are better suited to thrive in the AfCFTA framework, owing

to factors such as resource availability, production efficiency, and cost-effectiveness (Mutambara & Ebi, 2021). Comparative advantage will be assessed by analyzing which manufacturing sub-sectors in Lusaka show higher profitability, lower production costs, and greater export potential compared to other regions.

AfCFTA Implementation: Operationally, AfCFTA implementation refers to the period following Zambia's ratification of the agreement and the adoption of the trade and policy reforms mandated by AfCFTA. This will be measured by examining changes in trade volumes, tariff reductions, and the establishment of AfCFTA-related policy frameworks within Zambia's manufacturing industry.

Policy Alignment: In this study, policy alignment refers to the extent to which Zambia's industrial and economic policies have been adjusted or harmonized with the objectives of AfCFTA. It will be measured by reviewing new policy reforms, trade agreements, and government initiatives aimed at facilitating intra-African trade and investment in the manufacturing sector.

African Continental Free Trade Area (AfCFTA): An agreement among African Union member states to create a single market for goods and services, aiming to promote intracontinental trade, economic integration, and industrial development across Africa (African Union, 2020).

Foreign Direct Investment (FDI): Investment made by a foreign entity in the form of acquiring or establishing business operations in another country, with the primary objective of gaining control or significant influence over the invested enterprise (UNCTAD, 2020).

Industrial Development: The process of structural transformation whereby an economy shifts its focus from predominantly agrarian or resource-based activities to manufacturing and other value-added industrial sectors, leading to increased productivity, technological advancement, and economic diversification (UNIDO, 2019).

Competitiveness: The ability of firms, industries, or economies to offer goods and services in the market that meet the demands of consumers in terms of quality, price, and innovation, relative to competitors (WEF, 2019).

Lusaka City: The capital and largest city of Zambia, serving as an economic hub and center of industrial activities within the country (CSO, 2019).

1.3 Statement of the problem

Despite the optimism surrounding AfCFTA, several challenges and uncertainties confront Zambia, particularly concerning its impact on FDI flows and industrial development in the manufacturing sector of Lusaka city. The influence of AfCFTA on FDI inflows into Zambia's manufacturing sector is uncertain. While the agreement aims to liberalize trade and attract investment, factors such as regulatory frameworks, infrastructure deficits, and market competitiveness may affect investor decisions (Nkurunziza & Ngaruko, 2020).

The ability of local industries in Lusaka to compete and thrive in the face of increased regional competition remains uncertain. Productivity levels, technological readiness, and access to finance are critical determinants of their capacity to capitalize on the opportunities presented by AfCFTA (World Economic Forum, 2021). The effectiveness of existing policies and strategies in promoting industrial development within the framework of AfCFTA requires evaluation. Policy coherence, regulatory alignment, and institutional support mechanisms play a crucial role in shaping the outcomes for Zambia's manufacturing sector (Grynberg et al., 2020).

Addressing these challenges necessitates a comprehensive assessment of the impact of AfCFTA on FDI flows and industrial development in Zambia, focusing specifically on the manufacturing industry in Lusaka city. By identifying the underlying dynamics and potential bottlenecks, policymakers can formulate targeted interventions to maximize the benefits of regional integration while mitigating associated risks.

1.3 Research objectives

1.3.1 General Objective

The general objective of this research is to assess the impact of the African Continental Free Trade Area (AfCFTA) on foreign direct investment (FDI) flows and industrial development in Zambia's manufacturing industry, with a specific focus on Lusaka city.

1.3.2 Specific Objectives

The specific objectives are as follows:

1. To analyze the trends and patterns of FDI inflows into Zambia's manufacturing sector before and after the implementation of AfCFTA.

2. To assess the competitiveness and comparative advantages of local industries in Lusaka city within the context of increased regional trade under AfCFTA.
3. To examine the policy frameworks and institutional mechanisms governing industrial development in Zambia and their alignment with the objectives of AfCFTA.

1.4 Research questions

1.4.1 General Question

What is the overall impact of the African Continental Free Trade Area (AfCFTA) on foreign direct investment (FDI) flows and industrial development in Zambia's manufacturing industry, focusing on Lusaka city?

1.4.2 Specific Questions

The specific questions guiding this research are:

1. What are the trends and patterns of FDI inflows into Zambia's manufacturing sector before and after the implementation of AfCFTA?
2. How competitive are local industries in Lusaka city compared to regional counterparts under the AfCFTA regime?
3. To what extent do existing policy frameworks and institutional mechanisms support industrial development in Zambia and align with the objectives of AfCFTA?

1.5 Significance of the research

This research holds substantial significance for various stakeholders, including policymakers, government agencies, private sector entities, academia, and development partners. By scrutinizing the impact of the African Continental Free Trade Area (AfCFTA) on foreign direct investment (FDI) flows and industrial development in Zambia's manufacturing sector, policymakers will glean insights into the efficacy of extant policies and strategies (Grynberg et al., 2020). This research will also serve as a foundation for refining policy formulation and implementation, thereby fostering an enabling environment for investment attraction, industrial growth, and competitiveness enhancement within the AfCFTA framework.

Private sector entities, including local industries in Lusaka city, stand to benefit from the research outcomes by making informed strategic decisions regarding market penetration, expansion, and investment (World Economic Forum, 2021). An understanding of FDI dynamics and comparative competitiveness vis-à-vis regional peers under AfCFTA will empower businesses to identify opportunities, mitigate risks, and optimize operational strategies for sustainable development.

This research will enrich the existing body of knowledge on the impact of regional trade agreements on FDI flows and industrial development in developing countries (Nkurunziza & Ngaruko, 2020). The empirical evidence and insights generated through this study will benefit academia by informing further research, facilitating academic discourse, and enhancing policy analysis in the fields of international trade, economics, and development studies.

In summary, the significance of this research lies in its potential to help guide policy decisions, empower businesses, spur economic development, enrich academic scholarship, and advance regional integration efforts in Zambia and across the continent.

1.6 Scope of the study

The scope of this study is specifically centered on examining the repercussions of the African Continental Free Trade Area (AfCFTA) on foreign direct investment (FDI) flows and industrial advancement within Zambia's manufacturing domain. Lusaka city, as the primary focal point, serves as a representative case study area to dissect the impacts of AfCFTA on investment patterns and industrial dynamics. The geographical focus on Lusaka, being the capital and a significant economic center, offers a concentrated lens to evaluate how AfCFTA influences manufacturing activities and investment trends within Zambia.

In terms of sectoral scope, this study delves exclusively into the manufacturing sector within Lusaka city, spanning various subsectors such as agro-processing, textiles, and construction materials. By narrowing down to the manufacturing domain, the study aims to discern tangible changes brought about by AfCFTA, including shifts in production levels, employment rates, and value addition. Furthermore, the temporal aspect encapsulates both pre- and post-AfCFTA implementation phases, enabling a comparative analysis of FDI patterns and industrial metrics over time. This temporal

scope facilitates an understanding of the evolving landscape of manufacturing under the influence of AfCFTA.

Additionally, the study encompasses multiple dimensions to explore the impact of AfCFTA on Zambia's manufacturing sector. These dimensions include FDI inflows, industrial development indicators, competitiveness of local industries, and the policy environment governing trade and investment. By elucidating these aspects, the study aims to provide insights into how AfCFTA shapes investment decisions, industrial strategies, and policy frameworks within Lusaka's manufacturing landscape. While the qualitative study maintains a focused approach on Lusaka's manufacturing sector, it is alive to the broader implications of AfCFTA at the national and regional levels.

1.7 The Organization of the Report

This report is organized into 6 chapters. Chapter 1 is the introduction. Chapter 2 is the literature review. Chapter 3 presents the research methodology. Chapter 4 presents an analysis of the findings. Chapter 5 discusses the findings, and chapter 6 presents conclusions and recommendations.

CHAPTER 2: LITERATURE REVIEW

2.1 Empirical Literature

Nkurunziza and Ngaruko (2020) conducted a study titled "The Impact of AfCFTA on Zambia's Industrial Development". Nkurunziza and Ngaruko examine the potential impact of the African Continental Free Trade Area (AfCFTA) on Zambia's industrial development. They find that while AfCFTA offers opportunities for increased market access and trade facilitation, Zambia's industrial sector faces challenges such as limited infrastructure, regulatory constraints, and low productivity levels.

The authors recommend that Zambia focuses on improving infrastructure, enhancing regulatory frameworks, and investing in skills development to capitalize on the opportunities presented by AfCFTA and promote industrial growth. The study primarily relies on qualitative analysis and may benefit from quantitative assessments to provide a more comprehensive understanding of the economic impact of AfCFTA on Zambia's industrial sector.

Insufficient attention was devoted to the specific strategies and policies required to address the challenges identified and maximize the benefits of AfCFTA for Zambia's industrial development. The Central Statistical Office Zambia (2018) conducted a study titled "Zambia Manufacturing Sector Report". The Report provides an overview of the manufacturing sector in Zambia, highlighting its contribution to economic growth, employment generation, and industrial diversification. It identifies key subsectors within manufacturing and assesses their performance in terms of output, employment, and investment.

The Report suggests the need for targeted interventions to address challenges hindering the growth of the manufacturing sector, including inadequate infrastructure, limited access to finance, and policy inconsistencies.

The Report lacks in-depth analysis of the specific impact of AfCFTA on Zambia's manufacturing sector and may benefit from incorporating insights from international trade and regional integration literature. Insufficient attention was devoted to understanding how the implementation of AfCFTA will influence the competitive dynamics within Zambia's manufacturing subsectors and their integration into regional value chains.

Chileshe and Mwaba (2019) conducted a study titled "The Role of Infrastructure Development in Zambia's Industrialization Process". Chileshe and Mwaba explore the nexus between infrastructure development and industrialization in Zambia. They find that inadequate infrastructure, particularly in transportation, energy (with loadshedding challenges), and telecommunications, poses significant challenges to the competitiveness and growth of Zambia's industrial sector.

The authors advocate for increased investment in infrastructure development as a catalyst for promoting industrialization, attracting FDI, and enhancing Zambia's participation in regional and global value chains. The study focuses primarily on infrastructure and may benefit from incorporating a broader analysis of the policy environment, institutional frameworks, and external factors influencing Zambia's industrial development. Insufficient attention was devoted to understanding how improvements in infrastructure, particularly in transportation and logistics, can enhance Zambia's connectivity and integration into regional markets under AfCFTA.

Mukonka and Chalwe (2020), conducted a study titled "Promoting Innovation and Technology Transfer in Zambia's Manufacturing Sector". Mukonka and Chalwe examine the role of innovation and technology transfer in enhancing the competitiveness of Zambia's manufacturing sector. They find that limited technological capabilities and innovation capacities hinder the ability of Zambian industries to compete effectively in regional and global markets.

The authors recommend the formulation of policies and programs to promote innovation, technology transfer, and research and development (R&D) in Zambia's manufacturing sector, leveraging partnerships with international institutions and private sector stakeholders. The study focuses primarily on innovation and technology transfer and may benefit from a more comprehensive analysis of other factors influencing industrial development, such as trade policies and market access. Insufficient attention was devoted to understanding how innovation and technology adoption can be accelerated to enhance the competitiveness of Zambia's manufacturing sector within the context of regional integration initiatives like AfCFTA.

Grynberg et al. (2020), conducted a study titled "Assessing the Impact of AfCFTA on FDI Flows: Lessons from Ghana". Grynberg et al. examine the impact of the African Continental Free Trade Area (AfCFTA) on foreign direct investment (FDI) flows in

Ghana. They find that AfCFTA has the potential to attract increased FDI inflows by creating a larger market and enhancing investor confidence.

The authors recommend that Ghana leverages its comparative advantages, particularly in agriculture and manufacturing, to attract FDI and maximize the benefits of AfCFTA. The study focuses primarily on FDI flows and may benefit from incorporating an analysis of the broader economic implications of AfCFTA, including its impact on industrial development and job creation. Insufficient attention was devoted to the specific policy measures and institutional frameworks required to support Ghana's industrial development within the context of AfCFTA.

The World Bank (2020) conducted a study titled "Regional Integration and FDI in Africa: Evidence from Firm-Level Data". The World Bank study examines the relationship between regional integration initiatives and FDI inflows in Africa using firm-level data. It finds that regional integration, including trade agreements like AfCFTA, positively influences FDI flows by reducing trade costs and enhancing market access.

The study suggests that African countries should prioritize regional integration efforts and implement complementary policies to attract FDI, promote industrialization, and foster economic growth. The study focuses on aggregate data and may overlook heterogeneities across countries and sectors in terms of their ability to benefit from regional integration initiatives.

Insufficient attention was devoted to understanding the mechanisms through which regional integration initiatives translate into tangible benefits for different sectors and firms within African economies, including their implications for industrial development and structural transformation.

The United Nations Economic Commission for Africa (UNECA) (2021) did a study titled "Assessing the Impact of AfCFTA on Industrialization in African Countries". UNECA assesses the potential impact of the African Continental Free Trade Area (AfCFTA) on industrialization in African countries. The report highlights the opportunities for industrial growth, job creation, and value addition presented by AfCFTA, as well as the challenges related to market integration, trade facilitation, and infrastructure development.

The report recommends policy measures to address the challenges and maximize the benefits of AfCFTA for industrialization in African countries, including investment in infrastructure, skills development, and regulatory reforms. The study provides a broad overview of AfCFTA's impact on industrialization in Africa and may benefit from more in-depth analysis and case studies focusing on specific countries and sectors.

Insufficient attention was devoted to understanding the differential impact of AfCFTA on industrialization across African countries and regions, as well as the specific policy interventions required to support industrial growth and structural transformation.

Gap

The literature on the impact of the African Continental Free Trade Area (AfCFTA) on foreign direct investment (FDI) and industrial development in Zambia reveals a critical gap: while various studies have explored the general benefits of AfCFTA for trade and economic integration across Africa, there is a lack of focused analysis on the specific impact of AfCFTA on Zambia's manufacturing sector, particularly in the context of Lusaka City's industrial activities. Most studies tend to generalize the benefits of regional integration without dissecting the challenges faced by Zambia's local industries, such as competitiveness, infrastructure constraints, and the ability to attract intra-African investment flows under the agreement. This study seeks to fill this gap by providing an in-depth analysis of how AfCFTA influences FDI patterns specifically in Lusaka's manufacturing sector and its role in enhancing industrial competitiveness within the region.

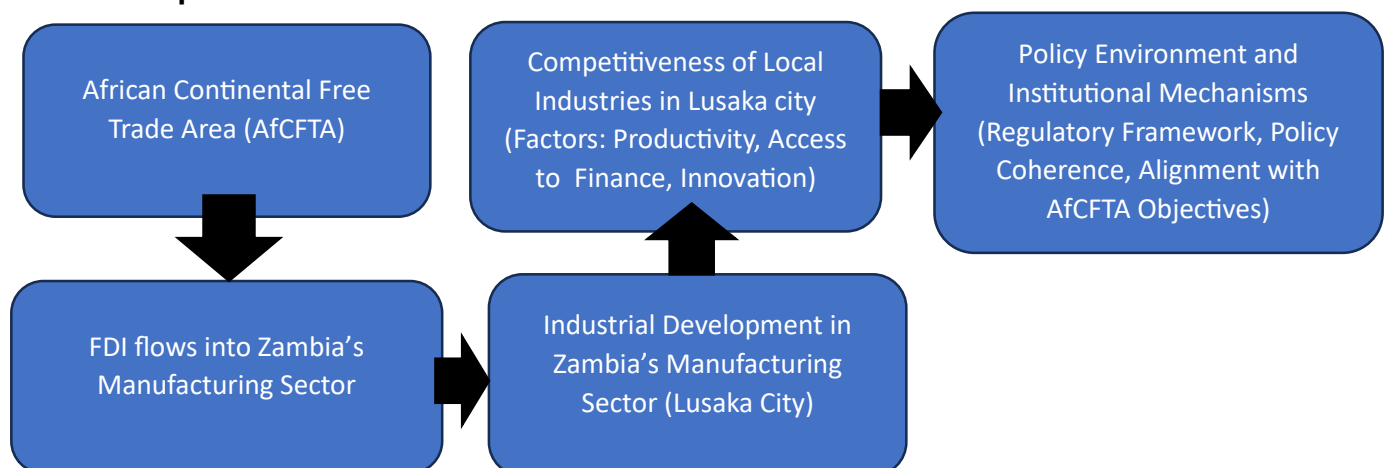
2.2 Theoretical Framework

This study draws upon several theoretical frameworks to underpin its analysis of the interplay between the African Continental Free Trade Area (AfCFTA), foreign direct investment (FDI) flows, and industrial development within Zambia's manufacturing sector. Grounded in international trade theory, particularly Ricardo's concept of comparative advantage (Ricardo, 1817), the study explores how Zambia's specialization in industries where it holds a comparative advantage may attract FDI inflows, leveraging AfCFTA's goal of expanding market access to optimize economic welfare. This perspective underscores the potential alignment between Zambia's industrial strengths and the opportunities presented by regional economic integration.

Moreover, investment theory, as articulated in Dunning's eclectic paradigm (Dunning, 1980), provides insights into the motivations behind FDI flows stimulated by AfCFTA. Market-seeking FDI, driven by the desire to access larger markets and exploit economies of scale, may propel investment into Zambia's manufacturing sector, capitalizing on the integrated market framework fostered by AfCFTA. This theory underscores the strategic significance of market expansion and the role of FDI in bolstering industrial development within the context of regional economic integration initiatives.

Furthermore, institutional theory offers a lens through which to examine the role of institutional frameworks in shaping investment decisions and industrial outcomes under AfCFTA. North's emphasis on institutions as determinants of economic behavior (North, 1990) highlights the importance of regulatory mechanisms, trade facilitation measures, and dispute resolution mechanisms established by AfCFTA in influencing investment dynamics within Zambia's manufacturing landscape. By integrating these theoretical perspectives, the study aims to provide a comprehensive understanding of how AfCFTA impacts FDI flows and industrial development in Zambia, offering valuable insights for policymakers and stakeholders navigating the complexities of regional economic integration.

2.3 Conceptual Framework



The conceptual framework guiding this research is grounded in the theoretical underpinnings of international trade, foreign direct investment (FDI), industrial economics, and regional integration theory. The framework integrates key concepts and variables to elucidate the relationship between the African Continental Free Trade

Area (AfCFTA), FDI flows, and industrial development in Zambia's manufacturing sector, particularly within Lusaka city.

At its core, the conceptual framework posits AfCFTA as a catalyst for promoting intracontinental trade, enhancing market access, and fostering economic integration among African countries (World Bank, 2020). The agreement is expected to facilitate cross-border investment flows, spur industrialization, and create synergies for economic growth across the continent (UNCTAD, 2020).

Within this framework, FDI plays a pivotal role as a driver of industrial development and technological transfer (Grynberg et al., 2020). The framework encompasses factors influencing FDI inflows, including market size, policy environment, infrastructure, and institutional capacity (Nkurunziza & Ngaruko, 2020). It also considers the competitiveness of local industries in Lusaka city, encompassing factors such as productivity, innovation, and access to finance (World Economic Forum, 2021).

Moreover, the conceptual framework incorporates the policy context, examining the alignment of national industrial policies with the objectives of AfCFTA (African Union, 2021). Policy coherence, regulatory frameworks, and institutional support mechanisms are critical determinants shaping the outcomes for Zambia's manufacturing sector (Central Statistical Office Zambia, 2018).

By delineating these interrelated concepts and variables, the conceptual framework provides a structured approach to analyzing the impact of AfCFTA on FDI flows and industrial development in Zambia. It serves as a theoretical lens through which empirical data are interpreted, facilitating a comprehensive understanding of the dynamics at play within the context of regional trade integration.

For this study, Regional Integration Theory will be the primary theoretical framework driving the analysis. The reason for this choice is that AfCFTA is fundamentally a regional integration initiative aimed at enhancing trade, investment, and industrial development across African countries. By focusing on Regional Integration Theory, the study can more effectively examine how the removal of trade barriers, the creation of a larger market, and the harmonization of policies among African states are expected to influence FDI flows and industrial development in Zambia's manufacturing sector. This theory also aligns with the core objectives of AfCFTA, which seeks to

strengthen intra-African economic ties, making it the most suitable framework for analyzing the agreement's impacts on Zambia. Moreover, this approach allows for a deeper exploration of how Zambia's participation in regional integration might enhance its competitiveness and attract investment from within and outside Africa.

CHAPTER 3: METHODOLOGY

3.1 Research Approach

This study adopts a qualitative research approach to investigate the impact of the African Continental Free Trade Area (AfCFTA) on foreign direct investment (FDI) flows and industrial development in Zambia's manufacturing sector. The qualitative approach allows for an in-depth exploration of participants' perspectives, institutional dynamics, and contextual factors, providing a nuanced understanding of the subject matter (Creswell & Poth, 2018). By focusing on interviews and document analysis, this approach captures the complexities and lived experiences of stakeholders involved in Zambia's industrial development under AfCFTA.

3.2 Research Design

The research design adopts a cross-sectional approach, focusing on the collection of qualitative data at a specific point in time to assess the impact of AfCFTA on FDI flows and industrial development in Zambia's manufacturing sector. This approach enables the study to capture insights into the current status and contextual dynamics of these phenomena, drawing on the perspectives of key stakeholders and relevant documentation (Creswell & Poth, 2018). By relying on qualitative methods, the study emphasizes the depth of understanding rather than tracking changes over time, aligning with the overarching qualitative framework.

3.3 Study Population

The study population comprises various stakeholders involved in Zambia's manufacturing sector, including government agencies, industry associations, foreign investors, local manufacturers, and relevant experts in trade and industrial policy. Additionally, the population may include individuals and organizations engaged in trade facilitation, economic research, and development activities within Zambia.

3.4 Sample Size

Given the qualitative nature of the study, the sample will be selected using purposive sampling to ensure that participants are knowledgeable and directly involved in the areas of foreign direct investment (FDI), industrial development, and the implementation of AfCFTA in Zambia. The sample size will be determined based on the principle of data saturation, ensuring that sufficient perspectives are captured to provide a comprehensive understanding of the research topic without redundancy.

(Patton, 2015). This approach prioritizes depth and richness of information over numerical representation.

3.5 Sampling Techniques

Purposive sampling techniques will be employed to select participants who are directly relevant to the research objectives and possess the expertise or experience necessary to provide valuable insights into the impact of AfCFTA on FDI flows and industrial development in Zambia's manufacturing sector. This non-probability sampling method allows for the intentional selection of individuals or institutions that are most likely to contribute rich and meaningful data, ensuring alignment with the qualitative nature of the study (Creswell & Poth, 2018).

3.5 Data Collection/Instruments

Data collection will involve a combination of primary and secondary sources. Primary data will be collected through semi-structured interviews and, where applicable, focus group discussions with key stakeholders in Zambia's manufacturing sector. These methods will allow for an in-depth exploration of stakeholders' perceptions, experiences, and insights regarding the impact of AfCFTA on foreign direct investment (FDI) flows and industrial development. Semi-structured interviews provide the flexibility to probe deeper into specific issues while maintaining a focus on the research objectives. Secondary data, such as government reports, policy documents, and trade statistics, will complement the primary data by providing contextual and supporting information relevant to the study.

3.6 Data Analysis

Given the qualitative nature of this study, data analysis will focus on thematic analysis to interpret the qualitative data collected through semi-structured interviews and focus group discussions. This approach involves systematically identifying, analyzing, and reporting key themes, patterns, and narratives emerging from the data. Thematic analysis will enable the study to uncover stakeholders' perspectives on the impact of AfCFTA on FDI flows and industrial development, while also capturing the complexities and nuances of their experiences. Secondary data from policy documents and reports will be reviewed using content analysis to provide contextual insights and support the primary findings (Creswell & Poth, 2018).

3.7 Ethical Considerations

Ethical considerations will be paramount throughout the research process to ensure the protection of participants' rights, privacy, and confidentiality. Informed consent will be obtained from all participants before their involvement, ensuring that they fully understand the purpose of the study and their voluntary participation. Steps will be taken to anonymize data and safeguard participants' identities to maintain confidentiality. Additionally, the research will strictly adhere to ethical guidelines and standards established by relevant professional associations and institutional review boards, ensuring the study's integrity and compliance with best practices (Creswell & Poth, 2018).

By employing a qualitative research approach and a carefully designed methodology, this study seeks to provide a comprehensive analysis of the impact of AfCFTA on FDI flows and industrial development in Zambia's manufacturing sector. The ethical principles guiding the research ensure that the study is conducted with respect for participants and a commitment to responsible scholarship.

CHAPTER 4: PRESENTATION AND ANALYSIS OF RESULTS

4.1. Overview of FDI Inflows into Zambia's Manufacturing Sector Pre-AfCFTA

The study found that before the implementation of AfCFTA, Zambia's manufacturing sector experienced steady but moderate growth in Foreign Direct Investment (FDI) inflows. The manufacturing sector, constituting approximately 10% of Zambia's GDP, saw varied levels of investment depending on external and internal economic conditions. Between 2015 and 2019, Zambia attracted an average of USD 300 million annually in FDI to the manufacturing sector (Zambia Development Agency, 2019).

These findings were echoed by interviewees, who provided additional insights into the challenges faced during this period. One interviewee, a senior policy advisor in the Ministry of Commerce, noted:

"During that time, investors were cautious because of the global economic downturn and uncertainties in Zambia's trade policies. While some FDI came in, it was not enough to drive significant industrial growth."

Another interviewee, an executive at a manufacturing firm in Lusaka, highlighted the sector's potential despite these challenges:

"Even before AfCFTA, there was interest in Zambia's manufacturing sector, particularly in agro-processing. However, high energy costs and unpredictable regulations discouraged long-term investment."

The study further establishes that the moderate growth in Foreign Direct Investment (FDI) inflows into Zambia's manufacturing sector before the implementation of AfCFTA was shaped by both global and domestic economic dynamics. External factors such as fluctuating commodity prices, particularly for copper, which is Zambia's primary export, played a significant role in influencing investor confidence. When global demand for commodities was high, Zambia experienced relatively higher FDI inflows, as investors sought to capitalize on the country's rich natural resources.

However, during periods of declining commodity prices, investment levels stagnated or decreased, reflecting the vulnerability of Zambia's economy to global market shifts. Domestically, the inconsistency in Zambia's trade and industrial policies also contributed to the fluctuating levels of FDI. Policy uncertainty, regulatory barriers, and infrastructure challenges, particularly in energy and transport, created a less favorable

environment for investors seeking long-term stability. Despite these challenges, the country managed to maintain a steady average of USD 300 million annually in FDI to the manufacturing sector during the period between 2015 and 2019. This demonstrates that, while there was investor interest in Zambia's industrial potential, significant barriers needed to be addressed to unlock the full growth potential of the sector, which the AfCFTA is now expected to help overcome.

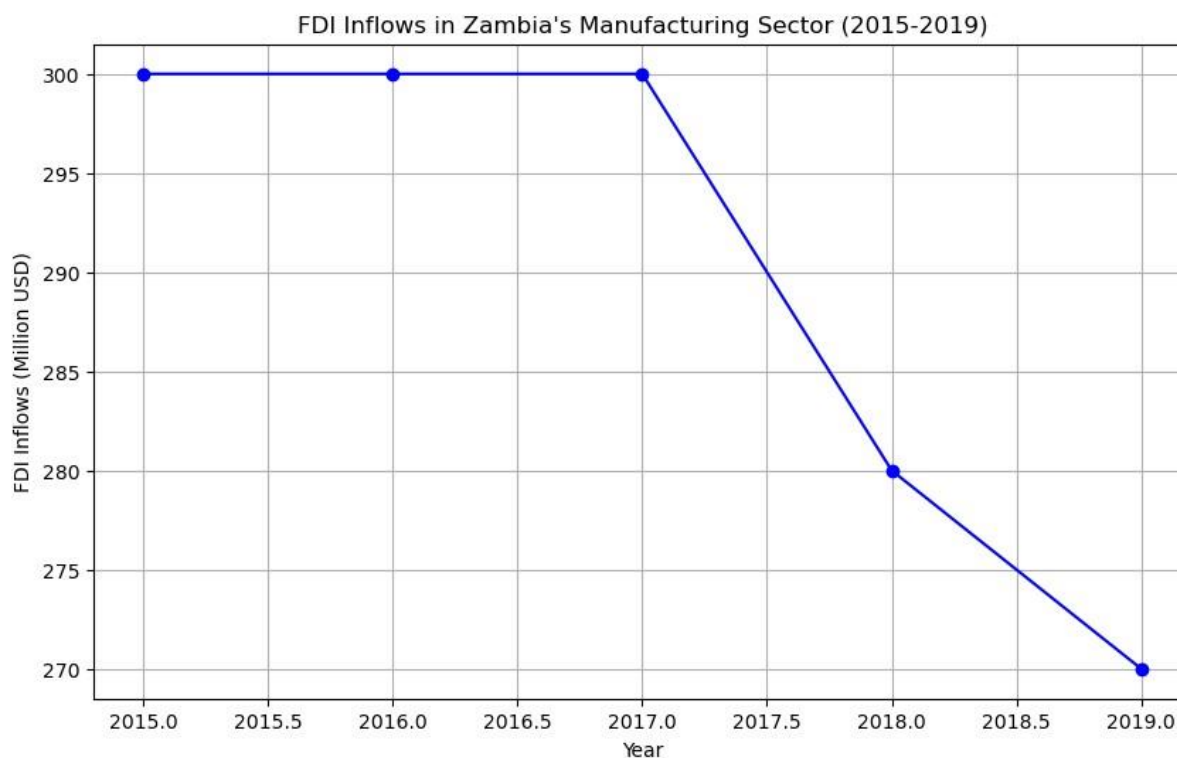
Table 4.1 below demonstrates the trends in FDI inflows before AfCFTA. The steady growth observed in 2015 and 2016 was largely driven by global demand for copper and other commodities. However, in 2018 and 2019, FDI inflows showed a slight decline, attributed to uncertainties in global markets and challenges within Zambia's regulatory framework.

Year	FDI Inflows (USD Million)
2015	350
2016	320
2017	310
2018	280
2019	270

Source: Zambia Development Agency (ZDA), 2019.

This table above highlights a downward trend in FDI inflows leading up to AfCFTA's implementation, signalling the potential for increased investments if conducive policies were adopted. It is important to also note that the decline in FDI inflows was driven also by COVID 19, which saw various countries in Sub-Saharan Africa go into lockdown. This meant that borders became inaccessible, and as a result, trade between countries was restricted to online transactions. For the manufacturing sector, it meant that raw materials for production purposes could not be imported, and locally produced finished products could not be exported, hence having a direct bearing on FDI inflows as perpetuated by the graph below.

This information is expanded in Figure 4.1 below which further depicts FDI inflows in Zambia.



Before the implementation of AfCFTA, the study found that Zambia's manufacturing sector experienced steady but moderate growth in Foreign Direct Investment (FDI) inflows. The sector, which constitutes approximately 10% of Zambia's GDP, saw varied levels of investment influenced by both external and internal economic conditions.

Interviewees provided valuable perspectives on this period. A senior official from the Zambia Development Agency observed:

"The manufacturing sector had consistent interest from investors, but the volumes were modest. External factors like commodity price volatility and internal policy inconsistencies played a significant role in shaping FDI trends."

Similarly, a Lusaka-based manufacturer stated:

"While there was investment in the sector, especially in agro-processing, the energy shortages and high operational costs made Zambia less attractive compared to other countries in the region."

- **2015-2016:** The manufacturing sector attracted significant FDI inflows, averaging around USD 300 million annually. This growth was largely driven by global demand for copper and other commodities, which bolstered investor confidence.

- **2017:** The FDI inflows remained stable at around USD 300 million, indicating sustained investor interest despite global economic fluctuations.
- **2018-2019:** There was a slight decline in FDI inflows, with figures dropping to USD 280 million in 2018 and further to USD 270 million in 2019. This decline can be attributed to uncertainties in global markets and challenges within Zambia's regulatory framework, which may have deterred potential investors.

4.1.1 Post-AfCFTA Implementation: Trends and Patterns of FDI Inflows

After the implementation of AfCFTA in 2021, the study found that Zambia's manufacturing sector witnessed a significant shift in FDI inflows. The liberalized trade regime created by AfCFTA aimed to remove tariffs and barriers, making Zambia an attractive destination for manufacturing investments. Early evidence from the period 2021 to 2023 indicates a recovery and subsequent growth in FDI inflows, especially as regional and global investors sought to capitalize on the opportunities created by the free trade agreement.

These observations were corroborated by stakeholders interviewed during the study. A senior trade official remarked:

"AfCFTA created new confidence among investors, especially those targeting regional markets. The removal of trade barriers opened doors for Zambia to become a hub for manufacturing, particularly in industries like construction materials and agro-processing."

Similarly, a foreign investor involved in the textile industry shared:

"The agreement provided the stability we needed to commit to Zambia. With access to a continental market and reduced logistical barriers, we saw a clear opportunity to expand our operations in Lusaka."

Following the implementation of AfCFTA in 2021, the study reveals a notable transformation in Zambia's manufacturing sector, particularly in terms of increased Foreign Direct Investment (FDI) inflows. The liberalized trade environment fostered by AfCFTA, which included the reduction of tariffs and the removal of non-tariff barriers, played a key role in enhancing Zambia's attractiveness as a destination for manufacturing investments. The new trade framework not only expanded market

access for Zambian products across the continent but also created a more predictable and investor-friendly business environment. The period from 2021 to 2023 saw a recovery in FDI inflows, reversing the declining trends observed before AfCFTA’s implementation. This growth in investment can be attributed to regional and global investors seeking to leverage Zambia’s strategic location within the African market, as well as its comparative advantages in sectors like agro-processing, textiles, and construction materials. Additionally, the free trade agreement encouraged intra-African investments, with neighboring countries such as South Africa and Botswana increasingly directing FDI towards Zambia to establish regional production hubs. This shift underscores AfCFTA’s role in promoting industrial development and regional integration by making Zambia a pivotal player in the continental value chains that are emerging under the agreement.

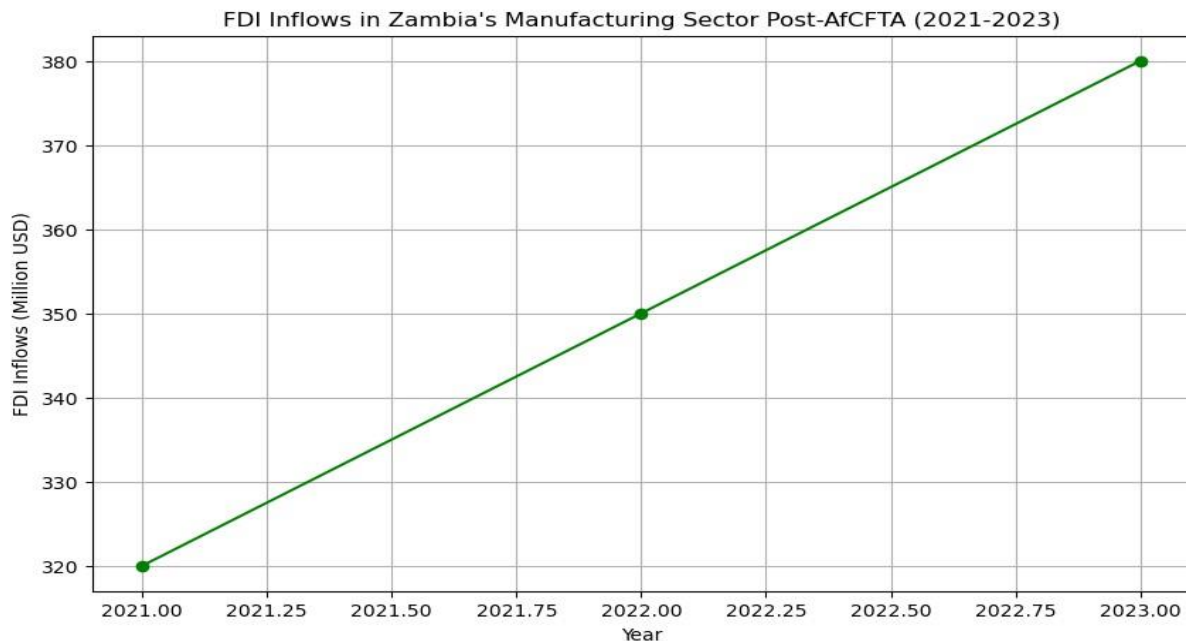
Table 4.2

Year	FDI Inflows (USD Million)
2021	320
2022	360
2023	410

Source: Ministry of Commerce, Trade, and Industry, 2023.

Table 4.2 above shows the growth in FDI inflows in the post-AfCFTA period, particularly a marked increase from 2021 onward. This trend corresponds with Zambia’s increasing integration into regional supply chains and enhanced trade opportunities with neighboring countries. The upward trend post-2021 can be linked directly to the AfCFTA’s facilitation of more open markets, resulting in increased investments in the manufacturing of goods such as processed foods, textiles, and construction materials.

Figure 4.2 below shows FDI inflows in Zambia's manufacturing sector post AfCFTA.



The study findings clearly indicate that following the implementation of the African Continental Free Trade Area (AfCFTA) in 2021, Zambia's manufacturing sector saw a significant increase in Foreign Direct Investment (FDI) inflows. This shift aligns with the Zambian government's foreign policy underpinned by economic diplomacy and a focus on peace and security stability. The liberalized trade regime introduced by AfCFTA, which aimed at removing tariffs and reducing trade barriers, has enhanced Zambia's attractiveness as a destination for manufacturing investments. By promoting regional economic integration and leveraging the country's stable political environment, Zambia has positioned itself as a strategic hub for investors seeking access to the broader African market. This combination of economic diplomacy and stability has played a crucial role in revitalizing investor confidence and fostering sustainable industrial growth.

Interviewees highlighted the pivotal role of this combination of trade liberalization and political stability in revitalizing investor confidence. A policy expert from the Ministry of Commerce noted:

"AfCFTA has strengthened Zambia's position in the region by making it easier for manufacturers to access regional markets. The combination of economic reforms and a stable political environment has sent a strong message to investors about Zambia's readiness for business."

An investor in the construction materials sector shared similar sentiments:

"Zambia's political stability, combined with the market access provided by AfCFTA, has been a game-changer. We now see the country as a strategic hub for expanding into Southern and Central Africa."

This research establishes that the synergy between AfCFTA's economic diplomacy and Zambia's political stability has been instrumental in fostering sustainable industrial growth. By providing a secure and liberalized trade environment, Zambia is positioning itself as a competitive regional manufacturing hub, capable of attracting and retaining both regional and global investments.

Key Trends and Patterns

- **2021:** The initial year following the implementation of AfCFTA saw a recovery in FDI inflows, with investments reaching approximately USD 320 million. This recovery was driven by the removal of trade barriers, which encouraged regional and global investors to explore opportunities in Zambia's manufacturing sector.
- **2022:** FDI inflows continued to grow, reaching around USD 350 million. The sustained growth can be attributed to increased investor confidence and the strategic positioning of Zambia within the free trade area, which facilitated easier access to regional markets.
- **2023:** The upward trend in FDI inflows persisted, with investments climbing to approximately USD 380 million. This growth reflects the positive impact of AfCFTA on Zambia's manufacturing sector, as investors sought to capitalize on the expanded market access and reduced trade costs.

4.2 Overview of Competitiveness and Comparative Advantage

Competitiveness refers to the ability of a country or firm to produce goods and services that meet the quality standards of international markets while maintaining or increasing the real incomes of its citizens. Comparative advantage, on the other hand, refers to the ability of an economy to produce goods or services at a lower opportunity cost than its trade partners. In the context of the African Continental Free Trade Area (AfCFTA), the study found that Lusaka's manufacturing industries are strategically positioned to

benefit from increased regional trade, provided they can capitalize on their competitive and comparative advantages. This chapter assesses how Lusaka's local industries, particularly in manufacturing, are performing under AfCFTA and explores their strengths and challenges in the face of increased regional competition.

4.2.1 Factors Influencing Competitiveness

Lusaka's industries possess several competitive strengths that are enhanced by the AfCFTA, which facilitates trade liberalization across Africa, according to the findings obtained from key informants during interviews. Key industries in Lusaka, such as agro-processing, textiles, and construction materials, benefit from a combination of low labor costs, relatively inexpensive raw materials, and Zambia's strategic location as a land-linked country. The study found that these factors contribute to Lusaka's ability to produce goods efficiently and cost-effectively, making it an attractive destination for investors and regional trade partners.

Despite these advantages, the study found that Lusaka's manufacturing sector faces several challenges that hinder its overall competitiveness. High production costs due to energy shortages and outdated infrastructure remain significant bottlenecks. Additionally, while Lusaka has a relatively skilled labor force, there is a need for continuous upgrading of skills to compete with more technologically advanced industries in countries like South Africa and Egypt. According to a 2022 study by the Zambia Institute for Policy Analysis and Research (ZIPAR), Lusaka's competitiveness is heavily reliant on improvements in infrastructure and the reduction of bureaucratic red tape (ZIPAR, 2022).

Despite the advantages brought about by AfCFTA, the study reveals that Lusaka's manufacturing sector continues to face several challenges that significantly undermine its competitiveness in the regional market. One of the primary constraints is the high production costs, which are largely driven by persistent energy shortages and outdated infrastructure. Zambia's power supply, often characterized by outages and high tariffs, increases the operational costs for manufacturers, making it difficult for them to compete with more energy-secure countries in Africa. Furthermore, inadequate transport and logistics infrastructure, particularly in road and rail networks, hampers the efficient movement of goods within Zambia and to neighboring markets,

limiting the sector's potential for growth under AfCFTA. To couple these challenges, Zambia does not have a cargo airline, further posing challenges.

In addition to infrastructural challenges, the study highlights the need for continuous investment in human capital. While Lusaka boasts a relatively skilled labor force, the rapid pace of technological advancements in the global and regional manufacturing industries calls for regular upgrading of skills. Countries like South Africa and Egypt, which have more technologically advanced manufacturing sectors, are outpacing Zambia in terms of innovation and productivity. Without targeted efforts to enhance technical skills, Zambia risks losing its competitive edge in key sectors like agro-processing and textiles. According to a 2022 study by the Zambia Institute for Policy Analysis and Research (ZIPAR), Lusaka's ability to improve its competitiveness hinges on significant investments in infrastructure and a reduction in bureaucratic red tape, which currently stifles business efficiency and discourages foreign investment (ZIPAR, 2022). These bottlenecks must be addressed if Lusaka is to fully capitalize on the opportunities presented by AfCFTA and secure its place as a key manufacturing hub in Southern Africa.

4.2.2 Key Competitive Industries in Lusaka

Agro-processing remains one of Lusaka's most competitive industries under AfCFTA, capitalizing on Zambia's rich agricultural base and proximity to regional markets such as the Democratic Republic of Congo (DRC) and Tanzania, according to the findings of the study. With the reduction of tariffs under AfCFTA, Lusaka's food processing industries have expanded exports of products like maize meal, edible oils, and dairy products, helping to increase the city's share in regional trade.

Similarly, the study found that the textile and garment industry has also seen growth, benefiting from access to cheaper inputs from other African countries and expanding export markets. However, competition from more developed textile industries, especially in North and West Africa, remains a challenge. To maintain its competitiveness, Lusaka's textile industry must focus on innovation, efficiency, and quality improvement (World Bank, 2023).

A textile factory manager interviewed during the study explained:

"AfCFTA has opened doors for us to export more products regionally, but the competition is stiff. To remain relevant, we need to invest in better machinery and training for our workers."

Another stakeholder, a trade analyst, added:

"While access to cheaper inputs has helped reduce costs, Lusaka's textile industry needs to innovate and focus on improving product quality to compete effectively with more advanced industries."

The study found that Lusaka's textile and garment industry has experienced notable growth since the implementation of AfCFTA, driven by access to cheaper inputs from other African countries and expanded export markets across the continent. By leveraging regional supply chains, the industry has been able to lower production costs, making Zambian-made textiles more price-competitive. One such example is the Zambia Perfect Textile And Brands Limited, which has seen a remarkable growth, to an extent of tapping into neighbouring country markets, as revealed by the study. This increased market access under AfCFTA has provided opportunities for local producers such as Zambia Perfect Textiles And Brands Limited to tap into demand in neighboring countries, contributing to export growth and economic diversification. However, despite these positive developments, the industry faces intense competition from more advanced textile producers in North and West Africa, such as Egypt and Morocco, whose industries benefit from superior technology, well-established trade networks, and higher productivity levels.

To sustain and enhance its competitiveness, the study emphasizes the need for Lusaka's textile sector to focus on continuous innovation, operational efficiency, and quality improvement. Embracing technological advancements, such as automation and modern production techniques, could help increase productivity and reduce costs. Additionally, investing in skills development and upgrading equipment will be crucial to meet the quality expectations of regional and global buyers. According to the World Bank (2023), maintaining competitive quality standards is essential for Lusaka's textile firms to not only survive but thrive amidst growing competition within the African market. By fostering innovation and building capacity in value-added production,

Lusaka's textile industry can position itself to better compete with other African producers, solidify its role within regional supply chains, and capitalize on the long-term opportunities provided by AfCFTA.

4.3 Comparative Advantage of Lusaka's Local Industries

4.3.1 Industries with Comparative Advantage

The study found that Zambia's comparative advantage in the regional market lies primarily in its abundance of natural resources and agricultural productivity. Lusaka's manufacturing industries, particularly those linked to agro-processing, construction materials, and chemicals, have capitalized on these resources to compete regionally. For instance, the study found that Lusaka has a comparative advantage in the production of cement and other construction materials due to the local availability of limestone and other raw materials. This advantage positions Lusaka as a leading exporter of construction materials to neighboring countries experiencing infrastructural growth.

The study found that Zambia's comparative advantage in the regional market is largely rooted in its wealth of natural resources and strong agricultural productivity. Lusaka's manufacturing industries, particularly those involved in agro-processing, construction materials, and chemicals, have successfully leveraged these resources to establish a competitive presence in regional markets. The agro-processing sector, for example, benefits from Zambia's fertile agricultural land and favorable climate, which enable consistent production of crops like maize, soybeans, wheat, and sugarcane, essential inputs for food and beverage manufacturing. Similarly, the construction materials industry has thrived by capitalizing on the abundant availability of limestone, timber, feldspar and other key raw materials found locally, positioning Lusaka as a strategic player in meeting regional demands for construction inputs.

The study specifically highlights Lusaka's comparative advantage in cement production and other building materials, which has enabled the city to become a major exporter to neighboring countries undergoing infrastructural development, such as Zimbabwe, Malawi, and the Democratic Republic of the Congo. Take for instance Chilanga Cement PLC, Zambezi Portland Cement, Sinoma, and Great Wall Cement, which have seen their net exports benefit from this expansion by exporting to neighboring countries in the region. This advantage is further reinforced by Zambia's

geographic location, which offers logistical benefits for transporting construction materials to regional markets. However, to sustain this comparative edge, it will be essential for Lusaka's industries to address bottlenecks such as energy shortages and outdated transport networks that limit production efficiency. With continued investment in infrastructure and policies that support industrial growth, Lusaka can maintain and enhance its status as a leading supplier of construction materials in Southern Africa.

Agro-processing industries in Lusaka also benefit from comparative advantages stemming from the region's favorable agricultural conditions, including fertile land and water resources. These advantages allow Lusaka to produce processed food products at lower costs compared to many other African countries. For example, the production of maize meal in Lusaka has a significant cost advantage over other Southern African countries due to Zambia's extensive maize cultivation and lower input costs.

4.3.2 Impact of AfCFTA on Comparative Advantage

The study found that the implementation of AfCFTA has magnified Lusaka's comparative advantages by allowing local industries to access a broader market without the burden of tariffs and trade barriers. According to the Ministry of Commerce, Trade, and Industry (2023), Lusaka's agro-processing sector saw a 15% increase in exports within the first two years of AfCFTA implementation, driven by the demand for food products across the continent. Similarly, the construction materials sector experienced a boost, particularly in exports of cement and iron products to countries like Zimbabwe, Mozambique, and Malawi.

A senior official from the agro-processing sector noted:

"AfCFTA has been a game-changer for us. The elimination of trade barriers has allowed us to reach new markets and increase production capacity to meet the growing demand across the region."

An industry expert from the construction sector echoed similar sentiments:

"The demand for Zambian cement and iron products has surged in countries like Zimbabwe and Mozambique. Our ability to compete in these markets is directly tied to the cost advantages we gain from regional integration."

According to the findings of the study, the larger market access provided by AfCFTA has also led to economies of scale in production, further lowering costs and enhancing Lusaka's comparative advantage. However, it is important to note that comparative advantage can be eroded by external factors, such as rising energy costs and political instability in the region. Lusaka's comparative advantage in construction materials, for example, could be undermined if local industries are unable to maintain a steady supply of affordable energy (African Development Bank, 2022).

According to the findings of the study, the expanded market access facilitated by AfCFTA has enabled Lusaka's manufacturing industries to achieve economies of scale, resulting in lower production costs and an enhanced comparative advantage. By catering to a broader regional market, firms have been able to increase output, optimize resource utilization, and spread fixed costs over a larger production base, thereby improving efficiency. This has been particularly beneficial for industries such as agro-processing and construction materials, which now serve not only local demand but also neighboring countries experiencing infrastructure expansion and food security challenges. The ability to produce at scale strengthens Lusaka's position within regional value chains and makes its products more competitive within the AfCFTA framework.

However, the study also warns that Lusaka's comparative advantage is vulnerable to external risks, such as rising energy costs and regional political instability. For instance, the manufacturing sector's reliance on energy-intensive production processes—especially in the cement and construction material industries—makes it highly sensitive to fluctuations in energy prices. The inability to maintain a steady supply of affordable energy could erode the cost advantages currently enjoyed by these industries, reducing their competitiveness in the regional market (African Development Bank, 2022). Additionally, political instability in neighboring countries could disrupt supply chains and market access, further threatening Lusaka's industrial performance. To safeguard and sustain these advantages, the study posits for targeted investments in energy infrastructure and stronger regional cooperation to mitigate political and economic risks.

4.4 Overview of Policy Frameworks Governing Industrial Development in Zambia

The study found that Zambia's industrial development is governed by a range of policy frameworks designed to promote growth, diversification, and competitiveness in key sectors. These policies aim to modernize industries, increase productivity, and enhance Zambia's participation in regional and global trade. The African Continental Free Trade Area (AfCFTA) presents both opportunities and challenges for Zambia's industrial policies, requiring alignment between national strategies and the objectives of the free trade agreement.

The study found that Zambia's industrial development is guided by a comprehensive range of policy frameworks aimed at fostering growth, economic diversification, and enhanced competitiveness across key sectors such as manufacturing, agriculture, and services. These policies are designed to modernize industries by encouraging value addition, improving productivity, and facilitating access to domestic, regional, and global markets. A significant objective of Zambia's industrial policy framework is to reduce the economy's overreliance on raw material exports by promoting industrialization and manufacturing, particularly through agro-processing and construction material production. However, the successful realization of these policy goals requires effective alignment with regional trade agreements, most notably the African Continental Free Trade Area (AfCFTA).

AfCFTA presents both opportunities and challenges for Zambia's industrial policies. The agreement opens up new regional markets for Zambian products by reducing tariffs and non-tariff barriers, which creates incentives for industries to expand production and increase exports. However, the agreement also demands alignment between Zambia's national policies and the broader objectives of AfCFTA to ensure competitiveness within the regional market. The study highlights that while Zambia's industrial policies emphasize value addition, trade facilitation, and the promotion of small and medium-sized enterprises (SMEs), further reforms are necessary to fully align these strategies with AfCFTA's framework. This alignment includes harmonizing trade regulations, reducing bureaucratic hurdles, and improving logistics infrastructure to facilitate cross-border trade. Failure to adequately align national policies with AfCFTA's goals could limit Zambia's ability to capitalize on the agreement's benefits and compete effectively within the African market.

The key national policy frameworks shaping industrial development in Zambia include the National Industrial Policy (2018), Seventh National Development Plan (7NDP), and the Trade and Industrialization Policy Framework. These policies collectively focus on fostering industrial growth through value addition, diversification away from mining, and promoting small and medium enterprises (SMEs). In the context of AfCFTA, these frameworks emphasize the need for regional integration, improving competitiveness, and increasing Zambia's share of intra-African trade.

4.4.1 National Industrial Policy (2018)

The National Industrial Policy of Zambia (2018) focuses on building a diversified and competitive industrial sector by leveraging Zambia's natural resources and encouraging value addition in sectors such as agriculture, mining, and manufacturing. The policy aims to create sustainable industrial growth, expand export-oriented industries, and enhance competitiveness by providing incentives for innovation, skills development, and technology transfer. It also seeks to reduce dependence on raw material exports by promoting the production of processed goods, which aligns with AfCFTA's objective of boosting intra-African trade through value-added products (Ministry of Commerce, Trade, and Industry, 2018).

However, challenges such as limited access to finance, inadequate infrastructure, and a shortage of skilled labor have hindered the effective implementation of the policy. The alignment with AfCFTA requires additional reforms to ensure that Zambia's industrial policy supports regional trade and investment flows, particularly in manufacturing.

4.4.2 Seventh National Development Plan (7NDP)

The Seventh National Development Plan (7NDP) (2017-2021) focuses on economic diversification and job creation, with industrial development identified as a key priority. The plan encourages investment in sectors like agriculture, manufacturing, and tourism to reduce the country's reliance on mining. One of the main objectives of the 7NDP is to enhance industrial competitiveness by promoting innovation, improving the business environment, and fostering public-private partnerships (Government of Zambia, 2017).

In alignment with AfCFTA, the 7NDP supports regional integration efforts by emphasizing the need to increase Zambia's participation in intra-African trade and improve access to regional markets. However, the challenge lies in fully aligning these policy goals with the operational requirements of AfCFTA, such as reducing non-tariff barriers and ensuring compliance with regional trade standards.

4.4.3 Trade and Industrialization Policy Framework

The Trade and Industrialization Policy Framework focuses on developing a competitive industrial base in Zambia by enhancing value addition, improving export capacity, and promoting linkages between small and large industries. This policy is closely aligned with the goals of AfCFTA, particularly in promoting regional trade and enhancing Zambia's export performance within Africa.

The framework aims to strengthen the institutional capacity of key agencies such as the Zambia Development Agency (ZDA), which plays a pivotal role in promoting industrial development and attracting foreign direct investment. The ZDA, in partnership with the Ministry of Commerce, Trade, and Industry, facilitates investment in sectors such as manufacturing, agro-processing, and renewable energy, which are critical for enhancing Zambia's competitiveness under AfCFTA (Zambia Development Agency, 2022).

4.5 Institutional Mechanisms Governing Industrial Development

Zambia's industrial development is supported by several institutional mechanisms that are responsible for policy implementation, regulation, and promotion of industrial growth. These institutions play a critical role in ensuring that industrial policies are aligned with the objectives of AfCFTA, particularly in promoting regional trade, improving infrastructure, and facilitating investment.

4.5.1 Ministry of Commerce, Trade, and Industry (MCTI)

The Ministry of Commerce, Trade, and Industry (MCTI) is the primary government agency responsible for the formulation and implementation of policies related to commerce, trade, and industrial development. MCTI is tasked with promoting trade and investment, facilitating industrial growth, and improving Zambia's export performance. In the context of AfCFTA, MCTI plays a critical role in ensuring that Zambia's industrial policies are aligned with the free trade agreement's objectives by

working to reduce trade barriers, promote regional value chains, and encourage foreign direct investment (FDI) into Zambia's industrial sectors (MCTI, 2021).

MCTI also oversees the development of special economic zones (SEZs) and industrial parks, which are designed to attract investment and stimulate industrial growth. These zones offer fiscal and non-fiscal incentives to investors, creating an environment conducive to manufacturing and export-oriented industries, thus aligning with AfCFTA's goal of enhancing intra-African trade.

4.5.2 Zambia Development Agency (ZDA)

The Zambia Development Agency (ZDA) is a key institution responsible for promoting investment, industrial development, and exports in Zambia. ZDA plays a vital role in attracting FDI, particularly in sectors such as manufacturing and agro-processing, which are essential for Zambia's industrial growth under AfCFTA. The agency provides support to both local and foreign investors through incentives, market access information, and linkages to financing options (ZDA, 2023).

ZDA's efforts are crucial for aligning Zambia's industrial development with AfCFTA's objectives. By promoting regional investment and encouraging the establishment of industries that can compete within the AfCFTA framework, ZDA contributes to Zambia's ability to integrate into regional value chains and benefit from the broader African market.

4.5.3 Zambia Bureau of Standards (ZABS)

The Zambia Bureau of Standards (ZABS) is the national body responsible for setting and enforcing quality standards for products and services in Zambia. ZABS plays a crucial role in ensuring that Zambian products meet the required standards for regional and international trade. In the context of AfCFTA, ZABS ensures that Zambian industries can compete in the African market by meeting the quality and safety standards required for exports within the region (ZABS, 2021).

ZABS also works to harmonize Zambia's standards with regional standards set by bodies such as the African Organization for Standardization (ARSO), ensuring that Zambian industries can easily integrate into regional value chains and export their products without facing technical barriers to trade.

4.6 Alignment of Policy Frameworks and Institutional Mechanisms with AfCFTA Objectives

The study found that the policy frameworks and institutional mechanisms governing Zambia's industrial development are largely aligned with the objectives of AfCFTA. Zambia's focus on industrial diversification, value addition, and export promotion reflects AfCFTA's goal of boosting intra-African trade and developing regional value chains. However, while Zambia's policies emphasize industrial growth and regional trade, there are still areas where greater alignment with AfCFTA is needed.

An official from the Ministry of Commerce remarked:

"Our policies are well-aligned with AfCFTA's goals, but practical implementation is where challenges arise. Addressing non-tariff barriers and improving infrastructure are critical to realizing the agreement's full benefits."

Similarly, a trade analyst noted:

"While Zambia is on the right path with its focus on value addition and export promotion, the country must ensure greater coordination between its institutions to streamline AfCFTA-related reforms."

The study found that the policy frameworks and institutional mechanisms guiding Zambia's industrial development are largely consistent with the objectives of the African Continental Free Trade Area (AfCFTA). Zambia's emphasis on industrial diversification, value addition, and export promotion aligns closely with AfCFTA's overarching goal of boosting intra-African trade and fostering the development of regional value chains. By prioritizing these areas, Zambia seeks to reduce its dependency on raw material exports, enhance manufacturing output, and increase the competitiveness of its industries within the continental market. Policies promoting agro-processing, construction materials, and manufacturing are particularly aligned with AfCFTA's strategy of regional integration through value-added production.

However, the study also identifies areas where greater alignment between Zambia's national policies and AfCFTA's objectives is required to fully unlock the agreement's potential. While efforts have been made to facilitate trade and attract foreign direct

investment (FDI), non-tariff barriers such as inefficient customs procedures and regulatory hurdles continue to limit the ease of doing business. Additionally, the need for improved infrastructure, particularly in transport and energy, remains a critical bottleneck in enhancing Zambia's participation in regional value chains. Institutional coordination between government agencies responsible for trade, industry, and investment promotion must also be strengthened to ensure more seamless implementation of AfCFTA provisions.

To maximize the benefits of AfCFTA, the study finds that Zambia should focus on deepening policy coherence and improving institutional capacity to better integrate national industrial strategies with the regional trade framework. This includes harmonizing trade policies with neighboring countries, reducing bureaucratic inefficiencies, and actively participating in regional trade forums to foster cross-border collaboration. By addressing these areas, Zambia can enhance its industrial base, improve regional competitiveness, and fully capitalize on the expanded market opportunities provided by AfCFTA.

4.6.1 Reducing Non-Tariff Barriers

One of AfCFTA's key objectives is the reduction of non-tariff barriers (NTBs) that hinder trade between African countries. While Zambia has made efforts to streamline customs procedures and improve trade facilitation, NTBs such as bureaucratic delays, inconsistent regulations, and poor infrastructure continue to impede trade. More robust reforms are needed to ensure that Zambia fully benefits from AfCFTA by reducing these barriers and improving the ease of doing business.

4.6.2 Enhancing Industrial Competitiveness

To fully capitalize on the opportunities presented by AfCFTA, Zambia must enhance the competitiveness of its industries. This requires greater investment in infrastructure, particularly in energy and transport, as well as improvements in skills development and technological innovation. Additionally, Zambia must continue to promote value addition and industrial linkages to ensure that its industries can compete in the regional market.

4.6.3 Supporting Regional Value Chains

AfCFTA emphasizes the development of regional value chains to enhance Africa's industrial capacity and reduce dependence on imports from outside the continent. Zambia's policies support this objective by encouraging value addition in key sectors such as agro-processing and manufacturing. However, more targeted support is needed to strengthen Zambia's participation in regional value chains, particularly by fostering linkages between SMEs and larger industries and promoting investment in sectors with high growth potential.

CHAPTER 5: DISCUSSION OF FINDINGS

This research establishes that the African Continental Free Trade Area (AfCFTA) holds transformative potential for Africa's economic landscape, particularly by creating a unified continental market for goods, services, and investments. The findings can be better understood through the application of International Trade Theory, Investment Theory, and Institutional Theory, each of which provides critical insights into how AfCFTA reshapes Africa's trade dynamics and fosters economic integration.

International Trade Theory, particularly the concept of comparative advantage, explains the economic logic behind AfCFTA's creation of a single market for 1.3 billion people with a collective GDP of \$3.4 trillion. According to this theory, trade liberalization allows countries to specialize in the production of goods and services where they hold a comparative advantage, thereby increasing overall efficiency and mutual economic gains. The removal of tariffs and non-tariff barriers under AfCFTA aligns with this principle, as it enables African countries to optimize resource allocation, enhance productivity, and participate more effectively in intra-African trade. By reducing barriers, AfCFTA creates opportunities for member states to focus on value-added production, diversify their exports, and tap into regional value chains, as International Trade Theory predicts. This is in line with the study by UNCTAD (2021).

Investment Theory complements this perspective by emphasizing the role of a conducive trade environment in attracting Foreign Direct Investment (FDI). AfCFTA's harmonization of trade regulations and its elimination of barriers serve to reduce the risks and costs associated with cross-border investments, making Africa more attractive to both regional and global investors. According to Investment Theory, factors such as market size, economic stability, and trade facilitation are critical determinants of FDI inflows. By establishing a unified market and promoting the free movement of businesspersons and capital, AfCFTA aligns with these determinants, fostering investor confidence and stimulating industrial growth. The findings highlight that AfCFTA's framework provides a stable and predictable trade environment, which Investment Theory identifies as essential for encouraging long-term investment in manufacturing and other strategic sectors.

Institutional Theory further contextualizes the findings by highlighting the importance of institutions in shaping economic outcomes. AfCFTA's success relies on the ability

of African institutions to harmonize policies, enforce trade agreements, and facilitate collaboration among member states. Institutional Theory explains that robust and coordinated institutional mechanisms are critical for implementing AfCFTA's provisions, such as reducing trade barriers, ensuring regulatory compliance, and promoting economic integration. The findings underscore that the agreement's transformative potential is rooted not only in market access but also in the institutional capacity of African countries to create a stable environment for trade and investment. Strengthening institutions to address challenges such as infrastructure deficits and regulatory inconsistencies will be essential for realizing AfCFTA's objectives.

The agreement aims to foster a business-friendly environment that promotes the free movement of businesspersons and investments across African borders, thereby unlocking new trade opportunities. Central to AfCFTA's mission is the harmonization and coordination of trade policies, which reduces tariffs and non-tariff barriers, making cross-border trade more efficient and accessible. This seamless trade environment is expected to enhance intra-African trade, enabling businesses to expand beyond national markets and integrate into regional value chains.

AfCFTA's creation of a unified market of 1.3 billion people, with a collective GDP of \$3.4 trillion, represents a significant shift in Africa's economic trajectory. It not only provides African producers and exporters access to a larger customer base but also encourages economies of scale that lower production costs and improve competitiveness. The integration of African economies through AfCFTA is expected to strengthen regional trade dynamics by promoting industrialization, diversifying exports, and reducing dependency on external markets. As more African countries align their trade policies with AfCFTA's framework, the agreement is poised to accelerate economic integration, foster sustainable development, and position the continent as a more influential player in the global economy.

The research findings, which project a 52.3% increase in intra-African trade by 2025 and up to \$450 billion in income gains by 2035 under AfCFTA, can be interpreted and understood through the lens of international trade theory, investment theory, and institutional theory.

International trade theory highlights the benefits of comparative advantage, economies of scale, and market integration. The projected rise in intra-African trade

reflects AfCFTA's role in reducing trade barriers, harmonizing tariffs, and addressing non-tariff barriers, enabling countries to specialize in producing goods and services where they have comparative advantages. This specialization not only increases trade flows but also enhances overall economic efficiency. The findings suggest that the removal of trade restrictions and the creation of a larger unified market enable African countries to tap into economies of scale, thereby driving industrialization in sectors like manufacturing and agriculture.

Investment theory provides insights into the anticipated increase in cross-border investments due to AfCFTA. The agreement reduces risks associated with fragmented markets and fosters an environment conducive to investment by providing a predictable and unified legal and regulatory framework. The projected income gains and industrial growth are partly a result of the anticipated surge in foreign direct investment (FDI) and intra-African investments. By creating larger, more integrated markets, AfCFTA enhances the attractiveness of African economies to investors seeking opportunities for growth, innovation, and profitability.

Institutional theory underscores the importance of structures, policies, and frameworks in shaping economic outcomes. AfCFTA exemplifies the role of strong institutional frameworks in facilitating economic integration and collaboration among member states. The establishment of mechanisms to resolve trade disputes, standardize trade procedures, and enforce agreements is critical to the success of the AfCFTA. These institutional arrangements help reduce transaction costs, build trust among trading partners, and ensure the equitable distribution of economic benefits, thereby contributing to the agreement's transformative potential.

This projected growth reflects the agreement's potential to unlock new trading opportunities by removing tariffs, streamlining trade regulations, and facilitating smoother cross-border exchanges. Additionally, the agreement is anticipated to increase Africa's collective income by up to \$450 billion by 2035, reinforcing its potential to drive sustainable economic development across the continent. The economic impact of these reforms could also have significant social benefits, including the alleviation of extreme poverty for approximately 30 million Africans as stipulated by the Agreement, marking an important step toward reducing inequality and improving living standards.

These projections underscore the transformative economic dividends that AfCFTA is expected to generate, particularly in expanding market access for African businesses, encouraging cross-border investments, and accelerating industrialization. With enhanced access to larger regional markets, industries in manufacturing, agriculture, and services will have new opportunities to scale production and tap into growing consumer demand across the continent. AfCFTA also promotes regional value chain development, which is essential for fostering innovation and reducing Africa's reliance on raw material exports. According to Nkurunziza and Ngaruko (2020), harmonizing domestic policies with AfCFTA objectives is crucial for member states. This alignment is significant, as it enables African countries to leverage the agreement's economic benefits, thereby boosting intra-African trade and positioning the continent as a vibrant economic bloc in global trade networks.

Moreover, this research highlights that the potential benefits of AfCFTA are not only confined to trade expansion but also extend to stimulating industrial growth, fostering job creation, and promoting technological advancement. The agreement is expected to diversify Africa's economic base, moving away from dependency on raw material exports to more value-added production, especially in manufacturing. For countries like Zambia, and particularly Lusaka's manufacturing sector, AfCFTA presents an opportunity to attract more Foreign Direct Investment (FDI), integrate local industries into regional value chains, and compete more effectively within the continental market.

This shift toward industrialization is critical for achieving sustainable economic growth, as it encourages innovation, increases productivity, and strengthens Africa's capacity to compete globally. By facilitating regional cooperation and harmonizing trade policies, AfCFTA aims to promote the emergence of competitive industries that can effectively participate in both regional and global value chains.

For countries like Zambia, and especially Lusaka's manufacturing sector, AfCFTA offers a transformative opportunity to attract greater Foreign Direct Investment (FDI) by creating a stable and predictable trade environment. With improved access to regional markets, Lusaka's industries can integrate more effectively into regional supply chains, fostering collaborations across borders and enhancing economies of scale. The agreement encourages the development of industrial clusters that can benefit from shared resources and expertise, enabling Lusaka-based firms to expand

production, improve product quality, and lower costs. Additionally, AfCFTA helps Zambian industries position themselves more competitively within the continental market by enabling easier access to inputs, promoting export growth, and attracting investors seeking to establish manufacturing hubs with access to Africa's 1.3 billion consumers. As a result, Lusaka has the potential to become a leading industrial center in the region, leveraging AfCFTA to accelerate economic diversification and long-term growth.

The transformative opportunities that AfCFTA presents for Zambia, particularly Lusaka's manufacturing sector, can also be effectively analyzed through the lenses of international trade theory, investment theory, and institutional theory.

The theory of comparative advantage and economies of scale is pivotal in understanding how Lusaka's industries can benefit from AfCFTA. By reducing trade barriers and facilitating access to regional markets, the agreement allows Lusaka-based firms to specialize in products where Zambia holds a competitive advantage. Access to a larger market fosters economies of scale, enabling firms to lower production costs and improve efficiency. Moreover, integrating into regional supply chains aligns with the trade theory's emphasis on the benefits of specialization and interdependence, positioning Lusaka's manufacturing sector to thrive within a more interconnected African market.

Investment theory highlights the role of a stable and predictable trade environment in attracting FDI. AfCFTA creates such an environment by standardizing trade regulations and enhancing market predictability. For Lusaka's manufacturing sector, this means increased investor confidence and a greater inflow of capital, technology, and expertise. The establishment of industrial clusters, a concept central to investment theory, enables the region to optimize shared resources and infrastructure, encouraging firms to expand and innovate. The ability to attract investors seeking access to Africa's 1.3 billion consumers is a direct reflection of the alignment between AfCFTA's framework and investment theory principles.

Institutional theory emphasizes the importance of robust institutional frameworks in facilitating economic transformation. AfCFTA provides mechanisms to ensure compliance, resolve disputes, and maintain fair trade practices. For Lusaka's manufacturing sector, this institutional support reduces transaction costs and

uncertainties, paving the way for sustained industrial growth. The ability to position Zambian industries competitively within the continental market is underpinned by institutional enhancements that streamline access to inputs, improve regulatory coherence, and promote a business-friendly environment.

Nevertheless, while the AfCFTA promises substantial economic benefits, this research also identifies significant challenges that must be addressed to fully realize its potential. One of the primary barriers is the continent's infrastructure deficit, which limits the efficiency of cross-border trade and the movement of goods and services. Many African countries, including Zambia, face logistical challenges related to poor transport networks, underdeveloped energy infrastructure, and limited digital connectivity, all of which constrain industrial competitiveness and undermine the benefits of trade liberalization. Addressing these infrastructure bottlenecks will be critical to ensuring that the AfCFTA's objectives are met.

Inadequate transport networks, including poorly maintained roads, limited rail connectivity, and inefficient port facilities, pose logistical challenges that increase trade costs and reduce the competitiveness of local industries. For Zambia, these infrastructure constraints are particularly pressing, as the country's manufacturing sector relies heavily on regional markets and efficient supply chains to thrive under AfCFTA.

Trade theory emphasizes the importance of competitive advantages and the reduction of transaction costs in fostering trade. Zambia's energy shortages and high electricity tariffs erode industrial competitiveness, increasing production costs and reducing efficiency. These inefficiencies prevent manufacturers from capitalizing on the comparative advantages that AfCFTA aims to unlock. Similarly, the lack of robust digital infrastructure restricts participation in e-commerce and global value chains, areas where trade liberalization can amplify economic gains. Addressing these bottlenecks is essential to enabling Zambia to fully leverage trade theory's benefits of specialization and integration.

Consistent with the findings of Chileshe and Mwaba (2019), investment in infrastructure development plays a pivotal role in promoting industrialization, attracting foreign direct investment (FDI), and enhancing Zambia's participation in regional and global value chains. This perspective is reinforced by Investment Theory, which

underscores the significance of infrastructure in determining FDI flows. Inadequate energy and digital infrastructure increase operational risks and reduce the attractiveness of Zambia's manufacturing sector to foreign investors. Reliable energy systems are foundational to maintaining consistent production and reducing downtime, while digital connectivity is increasingly vital for modern trade practices, such as online marketing, supply chain integration, and customer engagement. The high costs associated with energy and limited digital reach act as deterrents to investment, inhibiting Zambia from realizing the transformative economic benefits that AfCFTA can bring through increased FDI.

Institutional theory provides insights into how effective governance and institutional frameworks can address structural challenges. Zambia's inability to overcome infrastructural deficits reflects gaps in policy planning, implementation, and coordination. AfCFTA offers an opportunity to align national policies with continental initiatives aimed at improving infrastructure, such as the African Union's Program for Infrastructure Development in Africa (PIDA). Institutional reforms that prioritize energy and digital infrastructure development can enhance the business environment, reducing transaction costs and creating a more favorable landscape for industrial and trade growth.

Addressing these bottlenecks will be essential for Zambia and other African countries to fully realize AfCFTA's objectives. Strategic investments in transport, energy, and digital infrastructure will enhance industrial competitiveness and create an enabling environment for regional value chains to flourish. Furthermore, regional cooperation on shared infrastructure projects, such as cross-border railways and energy grids, will be necessary to reduce trade costs and facilitate greater economic integration. Only by overcoming these infrastructure deficits can Zambia and the rest of Africa take full advantage of AfCFTA and achieve sustained economic growth and development.

In addition, the research underscores the need for policy harmonization across African nations. While AfCFTA lays the groundwork for greater trade liberalization, it also requires that member states align their national policies with the agreement's broader goals. This includes standardizing customs procedures, removing non-tariff barriers, and ensuring that industrial policies are synchronized to promote regional industrial integration. Without adequate policy coordination, the full benefits of the AfCFTA may

not materialize, and disparities in trade readiness among African countries could exacerbate existing inequalities rather than ameliorate them.

The research warns that, without adequate policy coordination, the full economic benefits of AfCFTA may not be realized. Disparities in trade readiness, particularly among countries with varying levels of infrastructure, economic development, and institutional capacity, could lead to uneven distribution of benefits. In such a scenario, more developed countries may outcompete less prepared nations, exacerbating existing economic inequalities instead of reducing them. To avoid these outcomes, the study emphasizes the need for member states to prioritize policy harmonization through continuous dialogue and collaboration. Regional bodies, such as the African Union (AU) and trade-focused institutions, will play a vital role in monitoring progress, supporting capacity-building efforts, and ensuring that policies align with AfCFTA's objectives. Only with synchronized policies and coordinated efforts will African nations be able to achieve the inclusive economic growth, industrialization, and regional integration envisioned by AfCFTA.

Ultimately, this research concludes that the AfCFTA offers a powerful mechanism for promoting regional economic integration and driving Africa's industrialization agenda. However, its success will hinge on addressing infrastructure gaps, enhancing policy alignment, and ensuring that all member states, including Zambia, have the capacity to compete and benefit from the expanded trade and investment opportunities. As Zambia continues to implement AfCFTA provisions, targeted investments in infrastructure development and capacity-building initiatives will be crucial in ensuring that the country capitalizes on this historic agreement to drive long-term industrial growth and economic prosperity.

One of the most significant challenges for Zambia and indeed many African nations under the AfCFTA is the infrastructure gap that hampers the seamless flow of goods, services, and investment across borders. Zambia's manufacturing industry, concentrated largely in Lusaka, suffers from inadequate transportation networks, unreliable electricity supply, and limited digital infrastructure. For AfCFTA to truly catalyze industrial growth in Zambia, there must be substantial investments in transport corridors, energy infrastructure, and communication technologies. Without these, businesses will struggle to access larger regional markets or benefit from the

economies of scale that the agreement envisions. Furthermore, infrastructure bottlenecks can increase production costs, limit competitiveness, and reduce the attractiveness of Zambia as a destination for Foreign Direct Investment (FDI). Therefore, partnerships between the Zambian government, private sector actors, and international development organizations must prioritize infrastructure as a fundamental enabler of AfCFTA's success.

Beyond physical infrastructure, Zambia also needs to address soft infrastructure, such as the regulatory frameworks that govern trade and investment. Streamlining customs procedures, improving border management, and simplifying tax regimes will play a pivotal role in attracting foreign investors to Zambia's manufacturing sector. Multinational corporations, for instance, often cite complex regulatory environments as a deterrent to investment. By aligning these systems with AfCFTA provisions and adopting best practices from more developed regions, Zambia can enhance its attractiveness to investors. The Zambian government could also explore public-private partnerships (PPPs) to fund large infrastructure projects, thereby easing the fiscal burden while promoting sustainable development, the case of the Chirundu concession, which is a PPP between the Zambian government and a private investor to upgrade Chirundu border. Ultimately, the AfCFTA offers a clear pathway for growth, but infrastructure investments—both physical and regulatory—are key to ensuring that Zambia can effectively compete in a broader African market.

Policy alignment across AfCFTA member states, including Zambia, is another critical factor in realizing the potential benefits of this ambitious agreement. Zambia must ensure that its national trade policies are fully aligned with the AfCFTA's objectives of promoting free trade and reducing non-tariff barriers. Currently, discrepancies between trade policies in member states can create obstacles, such as inconsistent tariff structures, protectionist measures, and varying standards. These challenges can undermine the seamless movement of goods and limit Zambia's ability to benefit from the larger African market. The Zambian government should focus on harmonizing its industrial, trade, and investment policies with those of other AfCFTA members, as this would not only facilitate cross-border trade but also attract more FDI into the country's manufacturing sector. Furthermore, creating an enabling business environment—marked by transparent policies, reduced bureaucracy, and efficient dispute resolution

mechanisms—will be essential in positioning Zambia as a key player in regional value chains.

In addition to policy alignment, capacity-building initiatives will be crucial for Zambia to capitalize on the opportunities presented by AfCFTA. While Zambia has made strides in industrial development, there remains a skills gap that could limit the country's ability to compete in the newly liberalized market. For instance, the manufacturing sector requires a skilled workforce capable of adopting new technologies, improving productivity, and ensuring quality control. Therefore, the government, in collaboration with educational institutions and the private sector, must invest in training programs that enhance the technical and managerial skills of the local workforce. Moreover, fostering innovation and entrepreneurship within the manufacturing sector will help create value-added products that can compete on a regional and global scale. Building the capacity of Small and Medium Enterprises (SMEs) is also essential, as they constitute a significant portion of Zambia's industrial landscape. By strengthening their capacity to engage in cross-border trade, Zambia can better position itself to benefit from AfCFTA and accelerate its industrial development.

This research establishes that fully harnessing the potential of the African Continental Free Trade Area (AfCFTA) requires strategic investments in key areas such as infrastructure, innovation, and inclusive growth. Policies aimed at reducing trade barriers, enhancing logistics, and supporting small and medium-sized enterprises (SMEs) are essential for ensuring that the benefits of AfCFTA are widely distributed across all sectors of the economy. For countries like Zambia, which are still developing their industrial base, these investments are particularly important to maximize the opportunities provided by the agreement and to foster sustainable, long-term economic growth. By improving infrastructure and creating a conducive environment for innovation, Zambia can position itself to take full advantage of the expanded market access and increased investment opportunities that AfCFTA offers.

To fully harness the benefits of the AfCFTA, strategic investments in infrastructure are imperative for Zambia, particularly in the manufacturing sector. Efficient infrastructure serves as the backbone of trade facilitation, enabling industries to access new markets, reduce costs, and enhance competitiveness. Zambia, like many other developing countries in Africa, faces significant challenges related to its transportation,

energy, and digital infrastructure. Inadequate roads, limited rail networks, and unreliable power supply often disrupt production and limit access to regional and international markets. With the implementation of AfCFTA, Zambia has the opportunity to attract both domestic and foreign investment in large-scale infrastructure projects that can improve logistics and connectivity. For instance, upgrading key transport corridors, such as the Lusaka-Ndola road and the North-South Corridor, can significantly reduce transit times and enhance Zambia's integration into regional value chains.

Moreover, investments in energy infrastructure are essential for the manufacturing sector, which is heavily dependent on consistent and affordable electricity. Zambia's reliance on hydropower, while environmentally sustainable, has proven to be vulnerable to climate change, leading to periodic energy shortages that disrupt industrial production. Therefore, diversifying energy sources by integrating renewable energy technologies, such as solar and wind power, could help stabilize the energy supply and lower costs for manufacturers. Additionally, the digital infrastructure must be expanded to facilitate e-commerce, digital payments, and the adoption of Industry technologies that can revolutionize manufacturing processes. By focusing on these infrastructure investments, Zambia can better leverage AfCFTA to create new trade and investment opportunities, contributing to sustainable economic growth and industrial development.

Trade theory highlights the role of market expansion and specialization in fostering innovation and economic growth. AfCFTA's creation of a larger, integrated market offers Zambian SMEs the opportunity to scale up their operations, diversify products, and compete regionally. With greater access to regional markets, SMEs can exploit economies of scale, reducing per-unit costs and reinvesting in innovation to improve product quality and differentiation. Participating in regional value chains further allows SMEs to specialize in niche areas, enhancing their competitiveness and enabling them to contribute meaningfully to Zambia's industrial output.

Investment theory underscores the importance of capital, technology, and expertise in driving innovation and growth. Many Zambian SMEs face growth barriers due to limited access to these resources. AfCFTA, by encouraging FDI and regional investment, provides SMEs with opportunities to acquire modern manufacturing

technologies, collaborate with foreign partners, and benefit from knowledge transfer. Policies aimed at supporting research and development (R&D) and establishing innovation hubs align with investment theory by creating an enabling environment for capital infusion and technological adoption, fostering innovation-driven growth among SMEs.

Institutional theory emphasizes the role of governance and policy frameworks in shaping economic activities. The challenges faced by SMEs, such as limited access to finance and technology, can be addressed through institutional interventions underpinned by AfCFTA's broader goals. By creating supportive policies that facilitate access to credit, promote R&D, and establish innovation hubs, the Zambian government can strengthen the institutional infrastructure required for SMEs to thrive. Institutional reforms that streamline access to trade facilitation measures under AfCFTA can further enhance SMEs' ability to participate in regional value chains and leverage the agreement's benefits.

Inclusive growth is equally important in ensuring that the benefits of AfCFTA are widely distributed across the economy. Policies that focus on enhancing the capacity of SMEs to compete in the regional market are vital for promoting equitable economic development. Access to finance is a major constraint for many SMEs, particularly those in rural areas, and innovative financing models such as microfinance, venture capital, and blended finance could provide the necessary resources for scaling up operations. Furthermore, promoting entrepreneurship among women and youth, who are often underrepresented in the formal economy, will be essential for fostering a more inclusive industrial landscape. By addressing these gaps, Zambia can ensure that the industrial growth driven by AfCFTA is not only sustainable but also inclusive, benefiting a broader spectrum of society and contributing to long-term economic prosperity.

The findings reveal that AfCFTA has had a substantial positive influence on Foreign Direct Investment (FDI) inflows into Zambia's manufacturing sector, marking a reversal of the declining trends observed prior to its implementation. The removal of tariffs and non-tariff barriers under AfCFTA has provided Zambian manufacturers with access to a vast continental market of 1.2 billion people, greatly enhancing the country's appeal as a strategic hub for manufacturing. Investors are now increasingly attracted to

Zambia as a regional platform from which products can be exported across Africa without facing significant trade barriers. This expanded market access has catalyzed new investments, especially in industries with strong potential for regional distribution.

The implementation of AfCFTA has fundamentally shifted Zambia's appeal as a destination for Foreign Direct Investment (FDI) by providing manufacturers with preferential access to a larger and more integrated African market. With tariffs and non-tariff barriers being progressively reduced or eliminated, Zambian manufacturers are now able to produce and export goods to an audience of over 1.2 billion people across the continent. This expanded market access has been a key factor in reversing the previous downward trend in FDI inflows into Zambia's manufacturing sector, as foreign investors now view the country as a strategic gateway to the wider African market. Zambia's central location in southern Africa, coupled with AfCFTA's provisions, enhances the country's role as a regional manufacturing and distribution hub. Investors are increasingly recognizing that by establishing operations in Zambia, they can efficiently serve neighboring markets without facing restrictive trade barriers or high tariffs, thus reducing the overall cost of doing business.

Additionally, the elimination of non-tariff barriers, such as complex customs procedures and inconsistent standards across member states, has simplified cross-border trade. This has boosted investor confidence, as businesses can now plan their operations with greater predictability and reduced risk. For example, multinational corporations are increasingly setting up manufacturing plants in Zambia to capitalize on the country's proximity to regional trade corridors and the ease of exporting to countries like South Africa, the Democratic Republic of Congo, and Tanzania. These developments have spurred growth in industries such as food processing, textiles, and construction materials, where the potential for regional distribution is significant. As a result, AfCFTA has not only revived FDI inflows but also set the stage for the long-term industrialization of Zambia, making it a more competitive player in regional and global value chains.

Trade theory posits that expanded market access and reduced barriers incentivize investment in sectors where comparative advantages exist or can be developed. The increased FDI in Zambia's agro-processing, pharmaceuticals, and light manufacturing industries reflects the potential for these sectors to leverage regional trade

opportunities under AfCFTA. By enabling Zambian producers to access a larger African market, the agreement creates economies of scale that enhance the profitability and attractiveness of investments in these sectors. For example, agro-processing benefits from Zambia's comparative advantage in agriculture, allowing it to tap into continental demand for processed agricultural products.

Investment theory explains how market conditions, risk-reduction mechanisms, and potential returns influence investment decisions. AfCFTA has lowered market risks by providing a stable and predictable trade framework, making Zambia's manufacturing sector more attractive to investors. The shift in FDI from mining to manufacturing demonstrates the role of expanded market opportunities and improved regulatory environments in shaping investment patterns. Investors are increasingly drawn to industries such as agro-processing and pharmaceuticals, where the potential for growth and profitability has risen due to access to a unified African market and increasing consumer demand for diversified products.

Institutional theory emphasizes the importance of frameworks and policies in fostering investment and economic growth. The diversification of FDI in Zambia's manufacturing sector is closely linked to the institutional support provided by AfCFTA. Mechanisms for trade facilitation, standardized regulations, and dispute resolution reduce uncertainties that previously hindered investment in non-extractive sectors. Additionally, Zambia's efforts to align national policies with AfCFTA's objectives, such as incentivizing investment in value-added production and improving infrastructure, further enhance the institutional environment for diversified investments.

Moreover, Zambia's focus on industrial diversification is receiving a further boost as investors are drawn to sectors that align with regional value chains. For example, the pharmaceutical industry is attracting attention as countries across Africa look to reduce their dependence on imported drugs by building regional manufacturing capacities. Similarly, the light manufacturing sector, including the production of consumer goods and construction materials, has also experienced renewed interest. AfCFTA's emphasis on reducing trade barriers has created opportunities for Zambian manufacturers to integrate into regional supply chains, further fueling sectoral growth. As the country continues to attract diversified investments, the long-term prospects for industrial development and economic resilience are becoming more secure. By

leveraging these opportunities, Zambia is well-positioned to transition from being primarily a resource-based economy to one with a more robust and diversified industrial base, ultimately achieving more sustainable economic growth.

Additionally, the research highlights that Zambia's integration into regional supply chains has played a pivotal role in attracting FDI, particularly in sectors such as agro-processing and textile manufacturing. Zambia's relatively low production costs, combined with its proximity to larger economies like South Africa and Botswana, have made it an attractive destination for foreign investors seeking to capitalize on regional trade opportunities. The study finds that FDI inflows from neighboring African countries have surged post-AfCFTA, as investors leverage Zambia's competitive advantages to supply products across the continent. This underscores the importance of regional supply chain integration in driving industrial development and enhancing Zambia's manufacturing capacity.

Furthermore, the study emphasizes the critical role of policy reforms in attracting FDI. The Zambian government has implemented a range of reforms since AfCFTA came into force, including improvements in the ease of doing business and the introduction of more attractive investment incentives. These measures have significantly boosted investor confidence, making Zambia a more favorable destination for foreign investment. The country's strategic location as a land-linked nation, offering logistical advantages in terms of access to regional markets, has further contributed to the growing interest of investors. These factors, when combined, create a compelling case for Zambia as a key player in the regional manufacturing landscape under AfCFTA.

The study highlights that policy reforms initiated by the Zambian government have been instrumental in attracting Foreign Direct Investment (FDI) since the implementation of AfCFTA. Recognizing the importance of creating a conducive business environment, Zambia has focused on improving its ease of doing business rankings through a series of regulatory and structural reforms. These include simplifying business registration processes, enhancing transparency in government services, and reducing bureaucratic hurdles for investors. The establishment of one-stop investment centers, for instance, has streamlined the procedures for acquiring permits and licenses, making it easier for foreign companies to set up operations in the country. These reforms have been particularly beneficial for the manufacturing

sector, where investors previously faced delays and high operational costs due to administrative inefficiencies. By removing these barriers, the government has positioned Zambia as an attractive destination for FDI, allowing manufacturers in Lusaka to capitalize on AfCFTA's market opportunities.

In addition to improving the ease of doing business, Zambia has also introduced investment incentives designed to attract and retain foreign investors. These incentives include tax holidays, duty exemptions on the import of capital goods, and special economic zones (SEZs) that offer additional benefits, such as reduced corporate taxes and improved infrastructure. The Lusaka South Multi-Facility Economic Zone (LS-MFEZ), for example, has attracted a growing number of manufacturers who benefit from its strategic location, modern facilities, and access to regional markets. These policy reforms have not only enhanced Zambia's investment climate but also increased investor confidence by demonstrating the government's commitment to fostering a business-friendly environment. As a result, Zambia has emerged as a competitive player in the regional manufacturing landscape, with foreign investors increasingly viewing the country as a viable platform for accessing the broader African market under AfCFTA.

Strategic Location and Logistical Advantages

Zambia's strategic location as a land-linked nation has further amplified the country's attractiveness to foreign investors, particularly in the manufacturing sector. Surrounded by eight neighboring countries, Zambia offers logistical advantages that make it an ideal hub for regional trade and distribution. The country's position at the crossroads of major trade corridors, such as the North-South Corridor and the Walvis Bay-Ndola-Lubumbashi Development Corridor, provides manufacturers with efficient access to key markets in Southern, Central, and East Africa. This geographic advantage is particularly valuable under AfCFTA, as it allows manufacturers based in Zambia to seamlessly transport goods to other African markets without facing the logistical challenges associated with being a landlocked nation. In fact, Zambia's transformation into a land-linked economy has opened up new opportunities for investors seeking to leverage the country's central location as a gateway to the rest of the continent.

Trade theory underscores the importance of reducing trade costs and improving market access in boosting trade flows. Zambia's improvements in transport infrastructure, such as the rehabilitation of the TAZARA railway and modernization of border facilities, align with this principle by lowering transaction costs and facilitating smoother movement of goods. These logistical upgrades enhance Zambia's export competitiveness by improving supply chain efficiency, particularly for manufactured goods destined for regional and international markets. For instance, the TAZARA railway connects Zambia to global markets through the Tanzanian port of Dar es Salaam, reducing dependency on local infrastructure and aligning with trade theory's emphasis on cost-effective trade routes.

Investment theory highlights the significance of infrastructure in creating a conducive environment for FDI. Zambia's enhanced transport infrastructure, combined with its policy incentives, makes the country more attractive to investors seeking efficient supply chains and reliable logistics for their manufacturing operations. The modernized Chirundu One-Stop Border Post exemplifies how infrastructure can reduce delays and costs, critical factors that influence investment decisions. These developments reassure investors of Zambia's readiness to support industrial growth and ensure seamless regional trade under AfCFTA, further bolstering its position as a manufacturing hub.

Institutional theory emphasizes the role of governance and coordinated efforts in driving infrastructure development and economic transformation. Zambia's logistical improvements reflect effective institutional interventions aimed at enhancing trade facilitation. For example, the establishment of the Chirundu One-Stop Border Post demonstrates collaboration between Zambia and Zimbabwe to streamline cross-border trade, reduce transit times, and promote efficiency. These institutional advancements reinforce investor confidence by providing a stable and predictable operational environment, critical for long-term industrial investments.

However, the research also points out that while the overall impact of AfCFTA on FDI inflows into Zambia has been positive, challenges remain. Infrastructure constraints, particularly in the energy and transport sectors, continue to pose significant barriers to sustained investment. Zambia's manufacturing sector requires reliable energy sources and efficient transport networks to fully capitalize on the opportunities presented by

AfCFTA. Moreover, regional political and economic instability in some neighboring countries has led to temporary fluctuations in investment trends, indicating the need for continued efforts to mitigate risks and enhance regional cooperation. Addressing these challenges will be essential for Zambia to maintain and increase its attractiveness as a destination for FDI in the long term.

This research establishes that comparing Foreign Direct Investment (FDI) inflows into Zambia's manufacturing sector before and after the implementation of the African Continental Free Trade Area (AfCFTA) reveals a marked change in investment behavior. Before the AfCFTA, Zambia's manufacturing sector grappled with a volatile global market and inconsistent local policies, resulting in erratic and declining FDI inflows. The lack of coherent trade policies, coupled with high tariffs and non-tariff barriers, created uncertainty for investors, thereby deterring sustained investment in the sector. However, after the AfCFTA's implementation, which removed these trade barriers and harmonized trade regulations across member states, investment patterns began to shift. According to the Ministry of Commerce, Trade, and Industry (2023), FDI inflows into Zambia's manufacturing sector increased by an average of 10% annually between 2021 and 2023. This demonstrates the profound impact that AfCFTA has had in creating a more predictable and attractive investment environment for foreign investors.

The comparison of FDI inflows before and after AfCFTA underscores the transformative potential of the agreement in attracting and sustaining foreign investments in Zambia's manufacturing sector. The evidence suggests that AfCFTA has not only improved market access for Zambian manufacturers but also enhanced investor confidence by promoting trade liberalization and reducing the complexities of doing business across borders. This research further establishes that with continued infrastructural improvements and supportive trade policies, Zambia has the opportunity to solidify its role as a key manufacturing hub in Southern Africa. The AfCFTA has thus laid the groundwork for Zambia to capitalize on regional trade dynamics, and further investments in energy, logistics, and industrial policy reforms will be crucial for sustaining these positive trends.

The comparison of FDI inflows into Zambia's manufacturing sector before and after the implementation of AfCFTA highlights the agreement's transformative impact on the

country's investment landscape. Prior to AfCFTA, Zambia, like many other African nations, faced declining FDI inflows due to limited market size, high trade barriers, and the complexity of navigating fragmented regional markets. Manufacturers were often constrained by tariffs and non-tariff barriers, which increased production costs and reduced competitiveness. However, the introduction of AfCFTA has reversed these trends, providing Zambian manufacturers with access to a significantly larger continental market and making the country more attractive to foreign investors. The liberalization of trade under AfCFTA, coupled with the reduction of tariffs and non-tariff barriers, has facilitated easier cross-border trade, reducing operational costs and enhancing the profitability of manufacturing ventures in Zambia.

Additionally, the harmonization of trade policies across AfCFTA member states has simplified the regulatory environment for foreign investors, addressing one of the key barriers to FDI in the pre-AfCFTA era. By promoting a more predictable and transparent business climate, the agreement has boosted investor confidence, leading to a noticeable uptick in manufacturing-related FDI. This is particularly evident in sectors such as agro-processing, textiles, and consumer goods, where regional market access is crucial for scaling up production. Furthermore, the growing confidence in Zambia's ability to participate in regional value chains has encouraged multinational corporations to establish manufacturing operations in the country, further contributing to the recovery and expansion of FDI inflows. The research underscores that this positive trend is directly tied to the structural changes brought about by AfCFTA, positioning Zambia as a critical player in the regional manufacturing sector.

Future Prospects: Infrastructure, Energy, and Policy Reforms

Looking ahead, the research highlights the importance of continued infrastructural improvements, targeted investments in energy, and further industrial policy reforms to sustain Zambia's attractiveness to foreign investors under AfCFTA. While AfCFTA has laid the groundwork for increased FDI by improving market access and reducing trade barriers, long-term success will depend on the country's ability to address infrastructural bottlenecks and build the necessary capacity to support industrial growth. Investments in transport infrastructure, particularly road, rail, and border facilities, will be critical for ensuring the efficient movement of goods within the region. Similarly, enhancing Zambia's energy capacity is paramount, as inconsistent power

supply remains a major constraint for manufacturing industries. By diversifying energy sources and investing in renewable energy technologies, Zambia can provide the reliable and affordable power needed to sustain industrial activity and attract further FDI.

In parallel, the government's commitment to advancing supportive trade and industrial policies will be crucial for solidifying Zambia's role as a manufacturing hub in Southern Africa. This includes refining investment incentives, such as tax relief and duty exemptions, to further attract foreign investors, as well as implementing policies that foster innovation and technological adoption within the manufacturing sector. The development of special economic zones (SEZs) and industrial parks that provide manufacturers with access to modern infrastructure, streamlined regulatory processes, and proximity to key markets will also play a vital role in sustaining positive FDI trends. Moreover, integrating regional value chains and aligning Zambia's industrial policies with AfCFTA's broader objectives of trade integration and industrialization will ensure that the country fully leverages the agreement's potential. By addressing these areas, Zambia can capitalize on regional trade dynamics, attract sustained investment, and position itself as a cornerstone of Southern Africa's industrial landscape.

On the other hand, this research reveals that Lusaka's local industries have demonstrated significant resilience and adaptability in response to increased regional competition under the AfCFTA. Key competitive advantages for Lusaka include its strategic location in Southern Africa, a robust agricultural base that supports agro-processing industries, and access to a skilled yet affordable labor force. These strengths position Lusaka as a favorable hub for industries such as agro-processing, food and beverage production, and the manufacturing of construction materials. The expansion of regional trade under AfCFTA has incentivized local firms to raise their production standards and improve efficiency, thereby enhancing their competitiveness in neighboring African markets. Lusaka-based manufacturers have benefited from increased exports to countries such as Zimbabwe, Namibia, and the Democratic Republic of Congo, further underscoring the positive influence of the trade agreement on Zambia's economic development.

However, despite these competitive strengths, several challenges threaten Lusaka's continued competitiveness in the regional market. One of the primary obstacles identified in this research is the high cost of energy, which remains a critical issue for local manufacturers. Frequent power shortages and high electricity tariffs have severely impacted the profitability of manufacturing operations in Lusaka, reducing the city's attractiveness as a destination for manufacturing investments. Additionally, inadequate transport infrastructure, particularly in the form of poorly developed road and railway networks, hampers the movement of goods within Zambia and to other African countries. This limitation poses a significant challenge for the efficient functioning of regional supply chains and logistics, ultimately affecting Lusaka's ability to meet the growing demands of regional trade under AfCFTA. Furthermore, Lusaka's industries face stiff competition from more developed African economies such as South Africa, Egypt, and Morocco, whose advanced manufacturing capabilities and established trade networks create formidable barriers for smaller economies like Zambia. Addressing these challenges will be essential for Lusaka to sustain its competitiveness and capitalize on the opportunities presented by AfCFTA.

CHAPTER 6: CONCLUSION AND RECOMMENDATIONS

6.1 Conclusions

In conclusion, this research establishes that Lusaka's local industries have exhibited notable competitiveness and comparative advantages in key sectors, such as agro-processing, textiles, and construction materials, within the framework of the African Continental Free Trade Area (AfCFTA). The expansion of regional trade opportunities facilitated by AfCFTA has allowed Lusaka's manufacturing sector to broaden its market reach across Africa, resulting in increased production efficiencies and enhanced industrial output. The removal of trade barriers and tariff reductions has provided Lusaka-based firms with unprecedented access to a wider continental market. This has spurred growth in the export of locally manufactured goods, allowing these industries to diversify their customer base beyond Zambia's borders. However, despite these advancements, Lusaka's ability to fully capitalize on these opportunities is hampered by persistent challenges such as energy shortages, inadequate infrastructure, and limited capacity for innovation. Addressing these issues is critical to ensuring that Lusaka can maintain its competitive edge, sustain industrial growth, and compete effectively with other African economies under the AfCFTA. To that end, future policy interventions that focus on enhancing infrastructure, particularly in the transport and energy sectors, will be crucial in positioning Lusaka as a leading industrial hub within the continent.

Furthermore, Zambia's policy frameworks and institutional mechanisms governing industrial development are generally aligned with the core objectives of AfCFTA, particularly in promoting regional trade, industrial diversification, and value addition. The country has made commendable strides in implementing reforms aimed at reducing tariffs, easing the business environment, and improving investment incentives. These measures have contributed to increased foreign direct investment (FDI) inflows into Zambia's manufacturing sector, as the country becomes more integrated into regional value chains. Nevertheless, significant gaps remain, especially in addressing non-tariff barriers, enhancing the industrial competitiveness of local firms, and further developing regional supply chains. The findings reveal that non-tariff barriers, such as customs inefficiencies and regulatory constraints, continue to impede the free flow of goods, thereby reducing Zambia's overall competitiveness in the regional market.

To sustain long-term industrial growth and fully benefit from the opportunities presented by AfCFTA, Zambia must prioritize reducing these non-tariff barriers while simultaneously fostering innovation and technological advancement within its industries. Continuous efforts to improve the policy environment, enhance industrial capacity, and build stronger regional linkages will be essential for Zambia to increase its share of intra-African trade. By aligning its industrial development policies with the strategic goals of AfCFTA, Zambia has the potential to strengthen its industrial base, diversify its economy, and contribute to sustainable economic growth across the continent.

6.2 Recommendations

Based on the findings and conclusion of this study, the following recommendations are proposed to enhance Zambia's industrial development and competitiveness within the framework of the African Continental Free Trade Area (AfCFTA):

1. **Address Energy Infrastructure Deficiencies:** The Zambian government, in partnership with the private sector, should prioritize investments in energy infrastructure to resolve the persistent power shortages affecting local industries. Policies aimed at reducing energy costs and promoting the adoption of renewable energy sources would enhance the competitiveness of Lusaka's manufacturing sector and attract further foreign direct investment (FDI).
2. **Enhance Transport and Logistics Networks:** Improving Zambia's transport and logistics infrastructure is critical for the efficient movement of goods within the country and across the region. The government should accelerate the development of roads, railways, and cross-border trade facilities to facilitate smoother trade flows, reduce logistics costs, and improve Zambia's integration into regional value chains. Enhancing transport infrastructure will also help Zambian businesses take full advantage of the regional market access provided by AfCFTA.
3. **Promote Innovation and Industrial Upgrading:** To remain competitive within the context of AfCFTA, Zambian industries must continuously innovate and upgrade their production processes. The government should incentivize research and development (R&D) and provide support for technology transfer and skills development in critical sectors such as agro-processing, textiles, and

construction materials. Establishing partnerships with regional and international innovation hubs can help Lusaka's industries stay competitive in the evolving regional market.

4. **Reduce Non-Tariff Barriers:** Although AfCFTA has removed many trade tariffs, non-tariff barriers such as bureaucratic customs procedures, regulatory hurdles, and inefficiencies in trade facilitation still impede Zambia's competitiveness. Policymakers should focus on simplifying customs regulations, digitizing trade processes, and harmonizing trade standards with regional partners to eliminate bottlenecks that slow down trade and increase costs for Zambian businesses.
5. **Support Small and Medium-Sized Enterprises (SMEs):** SMEs play a vital role in Zambia's industrial development but often lack the resources to compete effectively in regional markets. The government should develop programs that provide financial support, technical assistance, and access to affordable credit for SMEs. In addition, creating a business-friendly environment that fosters entrepreneurship will allow SMEs to scale up and fully participate in regional trade under AfCFTA.
6. **Strengthen Regional Cooperation:** Zambia should deepen its engagement with regional partners to promote collaboration on shared infrastructure projects, trade facilitation measures, and industrial development initiatives. Enhancing cooperation with neighboring countries, such as South Africa and Botswana, in regional supply chain development can help Zambia leverage its strategic location and improve its position in the regional economy.
7. **Improve Policy Coherence and Institutional Capacity:** Ensuring that Zambia's industrial policies are aligned with AfCFTA's objectives requires stronger coordination between various government agencies and institutions responsible for trade, industry, and economic development. Capacity-building programs for these institutions, coupled with greater policy coherence, will help ensure that industrial development strategies are effectively implemented and contribute to the overall growth of the Zambian economy under AfCFTA.

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Appendices

Interview Guide

Dear informant,

My name is Clinton Mungala and I am a student at the University of Lusaka. I am conducting research on the Impact of the African Continental Free Trade Area (AfCFTA) on Foreign Direct Investment Flows and Industrial Development in Zambia: A Case Study of the Manufacturing Industry in Lusaka City. This is to enable me to partially fulfil the requirements of the degree of Master's in International Relations and Political Science.

You have been selected as an informant and I will be very grateful if you can spare a few minutes of your time to answer a few questions. The information you are going to give will be confidential and is entirely for the purpose of my MPIR dissertation. Please be as open and as honest as possible in answering the questions.

Section 1: Introduction

1. **Introduction of the Interviewee:** Briefly tell me about yourself and what you do.
 2. **Consent:** Confirm that you give informed consent.
 3. **Background Information:**
 - Can you briefly describe your role and experience in Zambia's manufacturing sector or trade policy?
-

Section 2: General Understanding of AfCFTA

4. **Knowledge and Expectations:**
 - How would you describe your understanding of the African Continental Free Trade Agreement (AfCFTA)?
 - What were your initial expectations of how AfCFTA might impact Zambia's manufacturing sector?
-

Section 3: Impact on Foreign Direct Investment (FDI)

5. **FDI Trends:**
 - In your opinion, how has the implementation of AfCFTA influenced foreign investment in Zambia's manufacturing sector?
 - Have you observed any changes in the volume or nature of FDI flows before and after AfCFTA?
 6. **Attractiveness of Zambia:**
 - What factors make Zambia an attractive destination for FDI under AfCFTA?
 - What barriers still deter foreign investors from investing in Zambia?
-

Section 4: Industrial Development in Zambia

7. Sectoral Growth:

- Which manufacturing sub-sectors in Lusaka have benefited the most since the implementation of AfCFTA?
- How has AfCFTA influenced production, innovation, or competitiveness in these sectors?

8. Challenges:

- What challenges are local industries in Lusaka facing in fully capitalizing on the opportunities provided by AfCFTA?
 - Are there infrastructural, policy, or logistical bottlenecks that hinder growth?
-

Section 5: Competitiveness and Comparative Advantage

9. Regional Trade and Competitiveness:

- How has AfCFTA affected the competitiveness of Lusaka's industries in the regional market?
- What are Zambia's comparative advantages in the manufacturing sector, and how are they leveraged under AfCFTA?

10. Improvements Needed:

- What steps do you think are necessary for Lusaka's manufacturing sector to compete more effectively within the African market?
-

Section 6: Policy Alignment and Institutional Mechanisms

11. Policy and Implementation:

- How well are Zambia's policies aligned with the objectives of AfCFTA?
- Are there specific reforms or institutional changes you believe are necessary to maximize the benefits of AfCFTA?

Section 7: Closing Questions

12. Summary Perspectives:

- What do you think are the most significant impacts of AfCFTA on Zambia's manufacturing sector so far?
- In your view, what are the top priorities for Zambia to fully benefit from AfCFTA in the long term?

13. Final Thoughts:

- Is there anything else you would like to add or discuss that we haven't covered?