

# **Comparing Open Regionalism in AfCFTA and RCEP**

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## I. Introduction

### **A. Brief Overview of Open Regionalism Concept**

Open regionalism is a principle of economic integration that seeks to enhance regional cooperation while maintaining openness to the global economy. Unlike traditional regionalism, which often involves preferential trade agreements that exclude non-members, open regionalism promotes inclusivity and non-discrimination. It aims to reduce trade barriers within a region while ensuring that such arrangements do not divert trade or investment away from the rest of the world. The concept emerged prominently in discussions on Asia-Pacific integration, particularly through frameworks like the Asia-Pacific Economic Cooperation (APEC). It emphasizes open membership, trade facilitation, and compatibility with multilateral trade systems such as the World Trade Organization (WTO) (Kuwayama, 1999; Cappie and Evans, 2015; Bergsten, 1997).

Open regionalism also seeks to balance regional liberalization with global economic integration by fostering cooperation on issues like customs harmonization, mutual recognition of standards, and regulatory frameworks. This approach ensures that regional agreements serve as "building blocks" for global trade liberalization rather than "stumbling blocks" that fragment the global economy (Kuwayama, 1999; Bergsten, 1997). In this context, open regionalism has been adopted as a guiding principle in major regional trade agreements (RTAs), including the African Continental Free Trade Area (AfCFTA) and the Regional Comprehensive Economic Partnership (RCEP).

### **B. Importance of AfCFTA and RCEP as Major Regional Trade Agreements**

The AfCFTA and RCEP are two of the most significant RTAs in the world today, representing ambitious efforts to foster economic integration in Africa and the Asia-Pacific region, respectively. Both agreements reflect the principles of open regionalism but operate in distinct economic and developmental contexts.

The AfCFTA is designed to create the largest free trade area globally by a number of participating countries, encompassing 55 African Union member states with a combined GDP of \$3.4 trillion. Its primary objectives include eliminating tariffs

on 97% of goods traded within Africa, harmonizing regulations across diverse economies, and fostering industrialization and economic diversification (Mbengue and Schacherer, 2021; Oloruntoba, 2023). By addressing Africa's historically low levels of intra-regional trade—estimated at only 14%—the AfCFTA aims to transform Africa into a globally competitive economic bloc while reducing dependency on commodity exports (Oloruntoba, 2023).

RCEP, on the other hand, is the world's largest trade bloc by GDP, covering 15 Asia-Pacific countries that account for nearly 30% of global GDP and population. It focuses on reducing tariffs on 90% of goods over 20 years, streamlining rules of origin, and enhancing participation in global value chains (GVCs). RCEP builds on existing ASEAN+1 agreements and emphasizes supply chain integration and regulatory coherence, making it a critical framework for deepening economic ties in one of the most dynamic regions globally (European Parliament, 2021; Mbengue and Schacherer, 2021).

Both agreements are transformative in their respective regions but differ significantly in their scope, priorities, and approaches to open regionalism. While AfCFTA prioritizes equitable development and industrialization within Africa, RCEP focuses on enhancing market access and supply chain connectivity among its members.

### **C. Thesis Statement**

While both AfCFTA and RCEP promote open regionalism by fostering economic integration within their regions and maintaining openness to global markets, they differ significantly in their approaches. These differences reflect the unique economic structures, developmental priorities, and geopolitical contexts of Africa and the Asia-Pacific region. This paper explores these distinctions to better understand how each agreement contributes to the broader goals of open regionalism.

## **II. Understanding Open Regionalism**

## **A. Definition and Key Principles**

Open regionalism is a concept of economic integration that aims to enhance regional cooperation while maintaining openness to the global economy. It involves reducing trade barriers within a region without discriminating against non-member countries (Kuwayama, 1999). The key principles of open regionalism include (Kuwayama, 1999; Cappie and Evans, 2015; Bergsten, 1997):

1. **Non-discrimination:** Ensuring that regional trade liberalization does not create barriers for external economies.
2. **Inclusivity:** Allowing open membership to countries willing to accept the rules of the regional arrangement.
3. **Compatibility with multilateral trade systems:** Aligning regional initiatives with global trade rules, such as those of the World Trade Organization (WTO).
4. **Trade facilitation:** Focusing on reducing non-tariff and non-border barriers to trade.

## **B. Historical Context and Evolution of the Concept**

The concept of open regionalism emerged in the late 1970s during discussions about regional economic cooperation in the Asia-Pacific region. It gained prominence in 1980 when it was cited as an ideal for future economic development at the first Pacific Economic Cooperation Council (PECC) meeting in Canberra (Cappie and Evans, 2015). The idea further evolved through the Asia-Pacific Economic Cooperation (APEC) forum, established in 1989.

Open regionalism developed as a response to concerns about the potential conflicts between regional trade agreements and the global multilateral trading system. It sought to reconcile the benefits of regional liberalization with the continued vitality of the multilateral system, positioning regionalism as a catalyst for global trade liberalization rather than a stumbling block (Bergsten, 1997).

The concept was further refined in the 1990s, with economists like Ross Garnaut and Peter Drysdale providing more precise definitions and analytical

frameworks. They emphasized the importance of mutually reducing trade barriers within a region without discriminating against outsiders, contrasting this approach with "discriminatory regionalism" seen in arrangements like the European Union and NAFTA (Cappie and Evans, 2015).

### **C. Importance in Modern Global Trade**

Open regionalism has become increasingly important in modern global trade for several reasons (Kuwayama, 1999; Bergsten, 1997; Enaifoghe and Ramsuraj, 2023; Drysdale, 2017):

1. **Balancing regional and global interests:** It provides a framework for countries to pursue regional integration while remaining committed to the broader multilateral trading system.
2. **Promoting inclusive growth:** By emphasizing non-discrimination and open membership, it allows for the potential expansion of trade benefits to a wider range of countries.
3. **Addressing non-tariff barriers:** The focus on trade facilitation and regulatory coherence helps tackle modern trade challenges that go beyond traditional tariff barriers.
4. **Enhancing competitiveness:** Open regionalism encourages countries to improve their economic efficiency and competitiveness on a global scale, rather than relying on protected regional markets.
5. **Supporting global value chains:** The approach aligns well with the increasingly interconnected nature of global production and supply chains.
6. **Fostering economic resilience:** By promoting both regional integration and global engagement, open regionalism can help economies diversify their trade relationships and reduce vulnerability to external shocks.

In conclusion, open regionalism represents a nuanced approach to economic integration that seeks to harness the benefits of regional cooperation while maintaining a commitment to global economic openness. Its principles continue

to influence major regional trade agreements and shape discussions on the future of international trade architecture.

### **III. The African Continental Free Trade Area (AfCFTA)**

#### **A. Overview and Objectives**

The African Continental Free Trade Area (AfCFTA) is a landmark agreement established by the African Union to create a single market for goods and services across the African continent. Launched on January 1, 2021, the AfCFTA encompasses 55 member states with a combined population of over 1.3 billion and a GDP of approximately \$3.4 trillion. The agreement aims to boost intra-African trade, promote industrialization, and enhance Africa's competitiveness in the global market (African Union, 2021).

The primary objectives of the AfCFTA include ((African Union, 2021):

- Creating a single market for goods and services;
- Facilitating the movement of persons to deepen economic integration;
- Contributing to the movement of capital and investments;
- Accelerating intra-African trade;
- Resolving challenges of multiple and overlapping memberships in regional economic communities; and
- Promoting sustainable and inclusive socio-economic development.

#### **B. Key Features Promoting Open Regionalism**

##### **1. Comprehensive liberalization goals**

The AfCFTA aims to eliminate tariffs on 97% of goods traded between member states over a period of 5-10 years (U.S. Congressional Research Service, 2023). This ambitious target demonstrates the agreement's commitment to open regionalism by significantly reducing trade barriers within the continent.

## **2. Focus on intra-African trade**

A key feature of the AfCFTA is its emphasis on boosting intra-African trade, which has historically been low. The agreement is expected to increase intra-African trade by 52.3% by eliminating import duties and potentially double this figure if non-tariff barriers are also reduced (ResearchFDI, 2023a).

## **3. Harmonization of existing regional frameworks**

The AfCFTA seeks to harmonize various existing regional economic communities (RECs) and trade agreements within Africa (African Union, 2021; East African Community, 2024). This approach aims to create a more coherent framework for trade and economic cooperation across the continent, addressing the challenges of overlapping memberships and fragmented markets.

## **C. Developmental Approach to Open Regionalism**

### **1. Emphasis on equitable growth**

The AfCFTA adopts a developmental regionalism approach, which emphasizes equitable growth and inclusive development across member states (Ismail, 2021). This approach recognizes the diverse economic capabilities of African countries and seeks to ensure that the benefits of increased trade are shared fairly.

### **2. Special and differential treatment provisions**

The agreement incorporates principles of flexibility and special and differential treatment (African Union, 2021). These provisions allow for asymmetrical market access and balanced trade rules, ensuring that less developed countries can participate meaningfully in the free trade area without being disadvantaged (Ismail, 2021).

### **3. Industrial development focus**

The AfCFTA places a strong emphasis on promoting industrial development and structural transformation across the continent (African Union, 2021; ResearchFDI, 2023a). It aims to facilitate the creation of regional value chains

and support the diversification of African economies, moving beyond reliance on raw material exports towards more value-added production (Ismail, 2021).

In conclusion, the AfCFTA represents a significant step towards open regionalism in Africa, combining comprehensive trade liberalization with a developmental approach that addresses the unique challenges and opportunities of the continent. By focusing on intra-African trade, harmonizing existing frameworks, and emphasizing equitable growth and industrial development, the AfCFTA aims to create a more integrated and competitive African economy.

#### **IV. The Regional Comprehensive Economic Partnership (RCEP)**

##### **A. Overview and Objectives**

The Regional Comprehensive Economic Partnership (RCEP) is a significant trade agreement signed in late 2020 after eight years of negotiations. It encompasses the ten members of the Association of Southeast Asian Nations (ASEAN) and five ASEAN free trade agreement partners: Australia, China, Japan, New Zealand, and South Korea (U.S. Congressional Research Service, 2022). RCEP entered into force in January 2022, creating one of the world's largest free trade areas.

The primary objectives of RCEP include (ResearchFDI, 2023a; Ministry of Foreign Affairs (MOFA), Japan, 2022; Ministry of Foreign Affairs and Trade, New Zealand, 2022):

1. Establishing a modern, comprehensive, high-quality, and mutually beneficial economic partnership.
2. Facilitating the expansion of regional trade and investment.
3. Contributing to global economic growth and development.
4. Creating an integrated market with nearly one-third of the global economy and population.

##### **B. Key Features Promoting Open Regionalism**



### **1. Inclusive membership structure**

RCEP promotes open regionalism through its inclusive approach to membership. The agreement allows for open membership, enabling countries outside the current members to join if they agree to the established rules. This inclusivity is demonstrated by the potential for countries like India to rejoin under expedited procedures (Deloitte, 2021).

### **2. Focus on supply chain integration**

One of RCEP's main features is its emphasis on enhancing participation in regional and global supply chains (Deloitte, 2021). The agreement recognizes the interdependency of regional value chains and aims to strengthen them by harmonizing rules of origin with regional-content rules (People's Government of Beijing Municipality, 2020). This approach facilitates the creation of regional value chains and supports the diversification of economies within the region (Deloitte, 2021).

### **3. Tariff reduction commitments**

RCEP aims to eliminate tariffs on up to 90% of goods traded between its signatories over a period of 20 years (Deloitte, 2021). This ambitious target demonstrates the agreement's commitment to open regionalism by significantly reducing trade barriers within the region. The agreement includes provisions for asymmetrical market access, allowing for balanced trade rules that consider the diverse economic capabilities of member countries (Asian Development Bank, 2022).

## **C. Market-driven Approach to Open Regionalism**

### **1. Emphasis on economic integration**

RCEP focuses on deepening economic integration among its member states. The agreement covers various areas, including trade in goods, services, investment, and emerging sectors such as e-commerce and intellectual property rights (Ministry of Trade and Industry, Singapore, 2022). By addressing these diverse

aspects of economic activity, RCEP aims to create a more integrated and competitive regional economy.

## **2. Facilitation of global value chains**

The agreement places a strong emphasis on facilitating participation in global value chains. RCEP's rules of origin allow for regional content cumulation between all 15 member countries, enabling businesses to more easily integrate into regional and global supply chains (Deloitte, 2021). This approach is expected to increase demand for inputs from member countries and extract more value from regional production processes (Ministry of Foreign Affairs and Trade, New Zealand, 2022).

## **3. Regulatory coherence initiatives**

RCEP includes provisions aimed at enhancing regulatory coherence among member states. The agreement addresses non-tariff barriers by promoting compliance with WTO rules and improving cooperation and transparency in areas such as quarantine and technical standards (Deloitte, 2021). It also includes commitments to ensure transparency of regulations and measures, providing greater certainty for businesses operating in the region (Ministry of Trade and Industry, Singapore, 2022).

In conclusion, RCEP's approach to open regionalism is characterized by its inclusive membership structure, focus on supply chain integration, and significant tariff reduction commitments. The agreement adopts a market-driven approach, emphasizing economic integration, facilitation of global value chains, and regulatory coherence initiatives to promote a more open and interconnected regional economy.

# **V. Comparative Analysis of Open Regionalism in AfCFTA and RCEP**

## **A. Membership and Inclusivity**

The AfCFTA and RCEP differ significantly in their approach to membership and inclusivity. The AfCFTA aims to include all 55 African Union member states,

creating a single market for goods and services across the continent (ResearchFDI, 2023a). In contrast, RCEP encompasses 15 member countries in the Asia-Pacific region, including the 10 ASEAN states and five major trading partners (Deloitte, 2021). While RCEP allows for open membership, enabling countries outside the current members to join if they agree to the established rules (ResearchFDI, 2023b), the AfCFTA focuses on harmonizing existing regional economic communities within Africa (Aliyu and Onitekun, 2021).

## **B. Trade Liberalization Approaches**

Both agreements aim to reduce tariffs significantly, but with different timelines and scopes. The AfCFTA seeks to eliminate tariffs on 97% of goods traded between member states (Aliyu and Onitekun, 2021), while RCEP aims to eliminate tariffs on up to 90% of goods over a 20-year period (Deloitte, 2021). The AfCFTA also addresses non-tariff barriers and includes provisions for trade in services (ResearchFDI, 2023a), whereas RCEP focuses on streamlining rules of origin and enhancing trade facilitation provisions (ResearchFDI, 2023b).

## **C. Development Focus and Equity Considerations**

The AfCFTA places a strong emphasis on equitable development and inclusive growth, recognizing the diverse economic capabilities of African countries. It incorporates special and differential treatment provisions for less developed countries (Tayo, 2023). RCEP, while acknowledging development disparities, focuses more on economic integration and facilitating participation in global value chains (KPMG, 2021).

## **D. Supply Chain and Value Chain Integration**

RCEP strongly emphasizes enhancing participation in regional and global supply chains, with provisions aimed at facilitating the creation of regional value chains (ResearchFDI, 2023b). The AfCFTA also aims to promote regional value chains and industrial development (ResearchFDI, 2023a), but with a greater focus on building these capabilities from a lower base in many African countries.

## **E. Regulatory Harmonization Efforts**

Both agreements recognize the importance of regulatory harmonization. The AfCFTA seeks to establish common standards and technical regulations involving certification, product quality, labeling, and safety (Aliyu and Onitekun, 2021). RCEP includes provisions for regulatory coherence, particularly in areas such as e-commerce, competition policy, and intellectual property rights (ResearchFDI, 2023b).

## **F. Global Engagement Strategies**

The AfCFTA aims to strengthen Africa's position in global trade negotiations and enhance the continent's competitiveness in the global market (ResearchFDI, 2023a). RCEP, given its membership including major global economies like China and Japan, is seen as reshaping global trade and potentially offsetting losses from trade tensions between major powers (ResearchFDI, 2023b).

In conclusion, while both the AfCFTA and RCEP promote open regionalism, their approaches reflect the unique economic structures, developmental priorities, and geopolitical contexts of their respective regions. The AfCFTA emphasizes inclusive development and building intra-African trade capabilities, while RCEP focuses on deepening existing economic integration and enhancing participation in global value chains.

## **VI. Challenges in Implementing Open Regionalism**

### **A. AfCFTA-specific challenges**

#### **1. Economic disparities among member states**

The African Continental Free Trade Area (AfCFTA) faces significant challenges due to the vast economic disparities among its member states. These disparities can lead to uneven benefits from increased trade, potentially exacerbating existing inequalities. Less developed countries may struggle to compete with more industrialized economies, hindering their ability to fully participate in and benefit from the agreement

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## 2. Infrastructure deficits

One of the major hurdles for AfCFTA implementation is the inadequate infrastructure across the continent. Many African countries lack proper roads, ports, and energy supply networks, which are crucial for facilitating the free flow of goods and services. This infrastructure deficit can significantly limit the effectiveness of the free trade agreement and requires substantial investments to support the anticipated growth in trade and manufacturing

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## 3. Political instability and security concerns

Political instability and security issues in various parts of Africa pose significant challenges to the successful implementation of AfCFTA. Conflicts, terrorism, and political unrest can disrupt trade flows and discourage investments, undermining the benefits of the free trade agreement. These issues also complicate the harmonization of regulations and the creation of a stable business environment across the continent

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## .B. RCEP-specific challenges

### 1. Diverse levels of economic development

The Regional Comprehensive Economic Partnership (RCEP) encompasses countries with vastly different levels of economic development, ranging from highly industrialized nations to less developed economies. This diversity can complicate the implementation of uniform trade rules and may lead to uneven benefits among member states. Addressing these disparities requires careful consideration of each country's unique economic circumstances

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## 2. Geopolitical tensions

Geopolitical tensions among RCEP member states can pose challenges to the agreement's implementation. Historical disputes, territorial conflicts, and shifting alliances may impact the willingness of some countries to fully engage in the agreement or cooperate on sensitive issues. These tensions can potentially hinder the deepening of economic integration and the realization of RCEP's full potential

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## 3. Non-tariff barriers

While RCEP aims to reduce tariffs significantly, non-tariff barriers remain a substantial challenge. These barriers can include complex regulatory environments, differing standards and technical regulations, and inconsistent customs procedures. Harmonizing these diverse regulatory frameworks across RCEP countries is a complex task that requires extensive coordination and may face resistance from domestic interest groups

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.In conclusion, both AfCFTA and RCEP face unique challenges in implementing open regionalism. For AfCFTA, addressing economic disparities, infrastructure deficits, and political instability is crucial for success. RCEP must navigate diverse levels of economic development, geopolitical tensions, and persistent non-tariff barriers. Overcoming these challenges will require sustained commitment, cooperation, and innovative solutions from all member states to realize the full potential of these ambitious trade agreements.

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## Open Regionalism and the African Continental Free Trade Area (AfCFTA)

**Overview of AfCFTA** The African Continental Free Trade Area (AfCFTA) represents a significant step towards economic integration among African nations, aiming to create one of the world's largest free trade areas. Launched on January 1, 2021, it encompasses 55 member states with a combined population of over 1.2 billion and a GDP of approximately \$3.4 trillion

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. The AfCFTA's primary objectives include eliminating tariffs on 97% of goods, liberalizing trade in services, and fostering intra-African trade to stimulate industrialization and economic growth

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**.Concept of Open Regionalism**Open regionalism is characterized by the removal of trade barriers among member countries while maintaining openness to global markets. This concept emphasizes cooperation and integration that not only benefits member states but also enhances their engagement with the global economy. In the context of AfCFTA, open regionalism aims to facilitate trade flows both within Africa and with external partners, thereby promoting economic interdependence and competitiveness

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Key Features of AfCFTA in Relation to Open Regionalism

- **Tariff Reductions:** The AfCFTA seeks to progressively eliminate tariffs on goods traded between member states, aligning with the principles of open regionalism by enhancing market access

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- **Trade Facilitation:** The agreement includes provisions for customs cooperation and trade facilitation measures, which are essential for reducing non-tariff barriers that hinder intra-African trade

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- **Deep Integration:** Unlike traditional free trade agreements that focus solely on tariff reduction, the AfCFTA also addresses regulatory measures related to services, investment, and intellectual property rights. This deep integration is crucial for creating a comprehensive trading environment that supports open regionalism

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## Challenges and Considerations

Despite its ambitious goals, the implementation of AfCFTA faces several challenges:

- **Economic Disparities:** There are significant differences in economic development among African nations. Smaller and less developed countries may struggle to compete, raising concerns about equitable benefits from the agreement

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- **Trust Issues:** Historical distrust stemming from colonial legacies complicates cooperation among member states. Building trust through collaborative initiatives is essential for the success of AfCFTA

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- **Private Sector Engagement:** The effectiveness of AfCFTA relies heavily on an innovative and productive private sector. Many Micro, Small, and Medium Enterprises (MSMEs) in Africa face limitations that hinder their ability to participate fully in the new trading environment

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## Moving Forward

To maximize the potential of AfCFTA under the framework of open regionalism, several strategies can be adopted:

- **Inclusive Developmental Regionalism:** Policymakers should focus on developmental regionalism that prioritizes inclusive growth, ensuring that all countries benefit from trade integration. This includes special provisions for Least Developed Countries (LDCs) and vulnerable economies

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- **Strengthening Regional Value Chains:** Developing regional value chains can enhance competitiveness and ensure that African countries move beyond raw material exports to more value-added production

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- **Infrastructure Investment:** Improving cross-border infrastructure will facilitate trade and enhance connectivity among African nations, supporting the broader goals of AfCFTA

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In conclusion, while the AfCFTA embodies the principles of open regionalism by promoting intra-African trade and economic cooperation, its success hinges on addressing existing challenges and ensuring that all member states can participate equitably in this transformative initiative.