

Report on the 10-Year Development of the ASEAN–China Free Trade Area Since Its Full Establishment

1. To commemorate the 10th anniversary of the full establishment of the ASEAN-China Free Trade Area (ACFTA), this Report summarises the milestones and achievements of ACFTA, as well as the commitments of the Ministers to improve the utilisation of the ACFTA, especially in the combat against the COVID-19 situation.

I. Implementation of ACFTA

ASEAN-China Free Trade Area

2. The ACFTA was initiated with the signing of the Framework Agreement on Comprehensive Economic Cooperation in 2002, followed by the ASEAN-China Trade in Goods Agreement in 2004, ASEAN-China Agreement on Trade in Services in 2007, and ASEAN-China Investment Agreement in 2009. The Framework Agreement entered into force on 1 July 2003 and was subsequently amended in 2003, 2006, 2012, and 2015.

3. The ASEAN-China Framework Agreement featured an Early Harvest Programme. Implemented on 1 January 2004, the Programme covered the elimination of tariff lines for some agricultural products for all the parties to the FTA. The ASEAN-China Trade in Goods Agreement entered into force in July 2005, and has been revised to include, among others, provisions on TBT and SPS Measures. In terms of market access, tariff elimination has now been completed for more than 91.9% of total tariff lines for the ASEAN-6 and China. As for the remaining AMS, tariff elimination is currently being implemented in accordance with the timelines provided for in the agreement.

4. The ASEAN-China Agreement on Trade in Services entered into force in July 2007, with the subsequent Protocol to Implement the Second Package of Specific Commitments under the Trade in Services signed in 2011 and entered into force in January 2012. Furthermore, ASEAN-China Investment Agreement entered into force in 2010.

The ACFTA Upgrading Protocol

5. The Protocol to Amend the Framework Agreement on Comprehensive Economic Cooperation and Certain Agreements thereunder between ASEAN and China (the ACFTA Upgrading Protocol) was signed in November 2015 and entered into force on 1 July 2016. The Protocol provides amendments to the text of the Rules of origin (ROO) Chapter, incorporates a section on Customs Procedures and Trade Facilitation to the ASEAN-China Trade in Goods Agreement, includes a third package of specific commitments under the Agreement on Trade in Services, adds provisions on the promotion and facilitation of investment in the Investment Agreement, and introduces additional rules and areas of coverage for Economic and Technical Cooperation under the Framework Agreement. It also provides a Future Work Programme for unfinished elements, namely on the further liberalisation of trade in goods, review of product-

specific rules, and investment liberalisation and protection. ACFTA Upgrading Protocol was fully implemented in 2019.

6. Under the Future Work Programme, the review of product-specific rules (PSR) was completed in 2018 and the revised ACFTA Rules of Origin (including the revised PSR) under the Protocol was implemented in August 2019.

7. At the 19th AEM-MOFCOM Consultations on 27 August 2020, the Ministers endorsed the next steps for the remaining elements in the Future Work Programme, as proposed by the ACFTA JC, namely: i) to prioritise the conclusion and signing of RCEP and discuss the further liberalisation of trade in goods after the signing of RCEP; ii) on investment liberalisation and protection, the Meeting tasked Working Group on Investment (ACFTA WGI) to discuss the way forward to upgrade ACFTA by taking into account existing agreements, including RCEP, and iii) to identify other areas which should be beneficial for both sides by the end of this year. The Ministers noted that all ACFTA Parties will take part in the discussion on the Future Work Programme and ASEAN will propose a scoping paper on the modality of the further liberalisation of trade in goods by end of this year. The Ministers also noted that AMS and China are discussing the inclusion of the Philippines' 3rd Package of Services Commitments to the Upgrade Protocol.

II. Achievements of ACFTA

8. The establishment of the ACFTA has strengthened ASEAN and China's economic relations. China has retained its position as **ASEAN's largest trading partner since 2009**. According to ASEAN's statistics, trade in goods between ASEAN and China has more than doubled since 2010, from USD 235.5 billion to USD 507.9 billion in 2019 (18% of ASEAN's total trade) and almost quadrupled since the entry into force of the ASEAN-China Trade in Goods Agreement in 2005. According to China's statistics, despite the COVID-19 pandemic, trade in goods between ASEAN and China during January-September 2020 increased by 5% against the downtrend where ASEAN leaps to become China's largest trading partner for the first time, making ASEAN and China each other's top trading partner.

9. According to China's statistics, among China's imports from ASEAN in 2019, the imports which enjoyed the preferential tariff rates under ACFTA increased by 9.6% on a year-on-year basis, accounting for 49% of China's total imports which enjoyed preferential treatments.

10. According to China's statistics, trade in services between ASEAN and China added up to USD 65.7 billion in 2019. According to ASEAN's statistics, Foreign Direct Investment (FDI) flow from China to ASEAN has increased by 185% from USD 3.6 billion in 2010 to USD 9.1 billion in 2019, accounting for 5.7% total FDI flows to ASEAN. In 2019, China was ASEAN's fourth largest source of FDI among ASEAN's Dialogue Partners.

III. Combat against the COVID-19

11. Noting that ASEAN-China trade and investment relations remain strong and robust despite the slow global economic growth due to the COVID-19 pandemic, and in the joint spirit of upholding multilateralism and international cooperation to combat the pandemic, ASEAN-China Economic Ministers endorsed and published *The ASEAN-China Economic Minister's Joint Statement on Combating the Coronavirus Disease (COVID-19) and Enhancing ACFTA Cooperation* on 29 May 2020, as a solid, pragmatic response to the COVID-19 outbreak. The Ministers reaffirmed the importance of ACFTA in boosting trade and investment and in ensuring stable and inclusive growth of the region, and committed to better implement the ACFTA to promote the free flow of goods and services, enhance two-way investment, as well as maintaining the integrity of supply chains.

12. Further, at the 19th AEM-MOFCOM Consultations in August 2020, the Ministers tasked the ACFTA JC to strengthen the implementation mechanism under ACFTA, which would quickly resolve the pending issues and facilitate the utilization ACFTA, thus maximising the benefits of the ACFTA, especially during the challenging time of COVID-19 Pandemic. The 38th SEOM-MOFCOM Consultations in July 2020 emphasized the importance of deeper transparency provisions upon upgrading the ACFTA and addressing implementation issues in a timely manner. Both ASEAN and China are progressing on the verification of the transposed TRS in HS 2017 under the ACFTA.

IV. Way Forward

13. ASEAN and China are committed to continue working closely on the economic front, fully leverage the role of ACFTA Joint Committee (JC), improve the implementation of ACFTA and its Upgrading Protocol, address the issues faced by businesses of both sides, as well as enhance economic and development cooperation, with a view to contributing towards an early economic recovery of the region, and further unleashing the benefits of ACFTA for the people of ASEAN and China in the next 10 years.
