



# Chapter 8

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## Cambodian Perspective

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# 1. Introduction

China proposed the idea of a free trade area with the Association of Southeast Asian Nations (ASEAN) in November 2000. In response, the leaders of ASEAN Member States (AMS) and China explored measures aimed at economic integration within the region. In Brunei Darussalam in 2001, both parties endorsed the establishment of an ASEAN–China Free Trade Area (ACFTA). Finally, the framework agreement was signed on 4 November 2002 in Phnom Penh, Cambodia by 10 heads of ASEAN governments and China’s Premier.

The first stage of the ACFTA (or ACFTA 1.0) committed six AMS (Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand) to eliminate their tariffs on 90% of their products by 2010. According ASEANstats<sup>1</sup>, between 2003 and 2008, trade between China and ASEAN grew from US\$59.6 billion to US\$192.5 billion. China’s strong economic transformation led to an increase in foreign investment via the bamboo network, a network of overseas Chinese businesses operating in the markets of Southeast Asia that share common family and cultural ties. AMS and China had a combined nominal gross domestic product of about US\$6 trillion in 2008. On 1 January 2010, the average tariff rate on Chinese goods sold in AMS decreased from 12.8% to 0.6%, pending implementation of the free trade area by the remaining AMS. Meanwhile, the average tariff rate on ASEAN goods sold in China decreased from 9.8% to 0.1%. By 2015, ASEAN’s total merchandise trade with China reached \$346.5 billion (15.2% of ASEAN’s trade), and the ACFTA accelerated the growth in direct investment from China and commercial cooperation. (ASEANStat)

The first ACFTA upgrade negotiations (i.e. ACFTA 2.0 upgrade negotiations) were launched in 2014, signed in 2015, and entered into force for all parties in 2018.

The second ACFTA upgrade negotiations (China–ASEAN FTA 3.0 upgrade negotiations) were announced at the 25th ASEAN–China Summit in Phnom Penh on 11 November 2022 to seize development opportunities and promote cooperation and shared long-term development in AMS and China. The negotiations are scheduled to conclude by the end of 2024 (Xinhua, 2023).

ASEAN and China are strategic partners in trade and investment. Official data show that bilateral trade increased from about US\$100 billion in 2004 to US\$975 billion in 2022. China has been ASEAN’s largest trading partner for 14 consecutive years, while ASEAN has been China’s largest trading partner for 3 consecutive years (Global Times, 2023b). Cumulative bilateral investment between China and ASEAN increased more than 11 times from US\$30 billion in 2004 to USD340 billion in October 2022 (Global Times, 2023a).

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<sup>1</sup> [www.aseanstats.org](http://www.aseanstats.org)

At the 24th ASEAN–China Summit in 2021, the leaders of ASEAN and China endorsed the official launch of negotiations for the upgrade of the ACFTA. The upgrade negotiations intend to ensure that the ACFTA contributes to the further deepening and broadening of ASEAN–China economic relations and to both regions' post-pandemic economic recovery (Xinhua, 2021).

The upgraded ACFTA (or ACFTA 3.0) will cover areas of mutual interest, including the digital economy; green economy; supply chain connectivity; competition; consumer protection; and micro, small, and medium-sized enterprises.

## 2. Significance of the ACFTA

The ACFTA is the cornerstone of China–ASEAN relations. The agreement is significant as the ACFTA is ASEAN's first free trade agreement (FTA) with an external Dialogue Partner, and China's first FTA.

The ACFTA comprises three different agreements – the Trade in Goods Agreement, the Agreement on Trade in Services, and the Investment Agreement. The three agreements entered into force in 2005, 2007, and 2009, respectively; collectively, the ACFTA entered into force in 2010.

The ACFTA seeks to facilitate trade in goods and services, as well as investment between China and ASEAN. For example, the ACFTA eliminates tariffs on 94.6% of tariff lines for exports to China that originate in AMS. It contains commitments that create market access and ensures a more predictable operating environment for services suppliers. The agreement also provides investors and investments with protection, by establishing a more transparent, facilitative, and secure environment for investors.

The ACFTA underwent one upgrade round that was launched in 2014, signed in 2015, and entered into force for all parties in 2018. The first upgrade made improvements to rules of origin, customs procedures and trade facilitation, market access for services, as well as enhanced economic and technical cooperation.

## 3. What Should/Could the ASEAN–China FTA 3.0 Aim For?

The second round of ACFTA upgrade negotiations (i.e. ACFTA 3.0 upgrade negotiations) will be comprehensive in scope to ensure the agreement remains relevant and commercially meaningful to businesses in the region.

The ACFTA 3.0 aims to minimise barriers and deepen economic linkages between the parties, lower costs, increase intra-regional trade and investment, increase economic efficiency, create a larger market with greater opportunities and larger economies of scale for the businesses of the parties, and enhance the attractiveness of the parties to capital and talent.

The upgrade negotiations will cover the following elements: (i) trade in goods (tariff reduction; tariff elimination, where possible; non-tariff measures (NTMs), customs procedures and trade facilitation; standards, technical regulations, and conformity assessment procedures; sanitary and phytosanitary (SPS) measures, and transparency); (ii) investment liberalisation and protection; (iii) economic cooperation in areas of the digital economy, the green economy, supply chain connectivity, competition, consumer protection, and micro, small, and medium-sized enterprises; and (iv) enhanced economic and technical cooperation in other areas of cooperation, where possible.

Details for each element to be reviewed for negotiation should be as follows:

### 3.1. Trade in goods

- **Tariff reduction and elimination:** The upgrade negotiations will aim at enhancing the level of tariff liberalisation.
- **NTMs:** The upgrade negotiations will help ensure that NTMs are not used or developed to impede trade between ASEAN and China. This would contribute to ensuring the effective implementation of market access commitments under the ACFTA and preserving supply chain connectivity between the parties.
- **Customs procedures and trade facilitation:** The upgrade negotiations will build upon the World Trade Organization's Trade Facilitation Agreement to facilitate trade between the parties, while ensuring effective customs controls.

- **Standards, technical regulations, and conformity assessment procedures:** The upgrade negotiations will seek to enhance transparency and strengthen cooperation, consultation, and information exchange to facilitate trade and improve mutual understanding of parties' standards, technical regulations, and conformity assessment procedures.
- **SPS measures:** The upgrade negotiations will seek to enhance cooperation, including collaboration for capacity building; strengthen consultations; and facilitate trade through science-based measures, including risk analysis, while not creating unnecessary barriers to trade.

## 3.2. Investment

- **Investment liberalisation and protection:** The upgrade negotiations will enhance investment liberalisation and protection, following up on the Future Work Programme under the Upgrading Protocol of the ACFTA, while taking into account existing agreements including the Regional Comprehensive Economic Partnership (RCEP) agreement.

## 3.3. Economic cooperation

- **Digital economy:** The upgrade negotiations will explore provisions to develop cooperation in areas such as digital trade and services (e.g. e-commerce, paperless trade); data governance (e.g. online personal data and consumer protection, data sharing, data exchange and big data utilisation, electronic transferable records, and cross-border data flows); and other trade-related aspects of digital economy cooperation, including cybersecurity, artificial intelligence, smart city development, upgrading technology and innovation, digital transformation, and management.
- **Green economy:** The upgrade negotiations will include commitments on strengthening collaboration, including through the sharing of knowledge, best practices, and technology in the low-carbon and sustainable economy (e.g. green finance, sustainable consumption and production, the circular economy, and green skills development); green technology (e.g. low-carbon technologies, sustainable and green infrastructure, environmental industry, and green industry); and sustainable energy (e.g. smart energy solutions, energy storage systems, renewable energy, and conservation).
- **Supply chain connectivity:** The upgrade negotiations will explore ways to strengthen the resilience and sustainability of regional supply chains, giving priority to the continued and smooth cross-border flow of essential goods and services.

## 3.4. Enhanced economic and technical cooperation in other areas

- Many other areas of economic and technical cooperation, which are not highlighted in the documents, could be included if all parties agree.

The ACFTA 3.0 upgrade negotiations will review the topics set out in the table. AMS and China will also address trends such as supply chain connectivity, digitalisation, and sustainability through the ACFTA 3.0. Rules of origin, product-specific rules, and services are not within the scope of the ACFTA 3.0 upgrade negotiations as these areas were reviewed during the ACFTA 2.0 upgrade negotiations.

**Table 8.1. Topics to be Reviewed in the ACFTA 3.0 and Related Documents**

Topics to be reviewed	Link to existing documents and main points
Trade in goods	Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Co-operation between ASEAN and China (29 November 2004)  Protocol to Amend the Trade in Goods Agreement of the Framework Agreement on Comprehensive Economic Co-operation between the Association of Southeast Asian Nations and the People's Republic of China (8 December 2006)
Tariff liberalisation	Annex 1: Modality for tariff reduction and elimination for tariff lines placed in the normal track  Annex 2: Modality for tariff reduction/elimination for tariff lines placed in the sensitive track
Customs procedures and trade facilitation	Protocol to Amend the Framework Agreement on Comprehensive Economic Co-operation and Certain Agreements thereunder between ASEAN and China (21 November 2015 (Section B of the protocol)
Technical barriers to trade Sanitary and phytosanitary measures	Protocol incorporating ASEAN–China Technical Barriers to Trade and Sanitary and Phytosanitary Measures Chapters (2012)
Investment	Agreement on Investment of the Framework Agreement on Comprehensive Economic Co-operation between ASEAN and China (implemented 15 February 2010)
Micro, small, and medium-sized enterprises	Not applicable
Economic and technical cooperation	Protocol to Amend the Framework Agreement on Comprehensive Economic Co-operation and Certain Agreements thereunder between ASEAN and China (effective 1 July 2016) (Chapter 4)

Topics to be reviewed	Link to existing documents and main points
Digital economy	The upgrade negotiations will explore provisions to develop cooperation in areas such as digital trade and services (e.g. e-commerce and paperless trade); data governance (e.g. online personal data and consumer protection; data sharing, data exchange, and big data utilisation; electronic transferable records; and cross-border data flows); and other trade-related aspects of digital economy cooperation, including cybersecurity, artificial intelligence, smart city development, upgrading technology and innovation, digital transformation, and management.
Green economy	The upgrade negotiations may include commitments on strengthening collaboration, including through sharing knowledge, best practices, and technology in a low-carbon and sustainable economy (e.g. green finance, sustainable consumption and production, the circular economy, and green skills development); green technology (e.g. low-carbon technologies, sustainable and green infrastructure, environmental industry, and green industry); and sustainable energy (e.g. smart energy solutions, energy storage systems, renewable energy, and conservation).
Supply chain connectivity	The upgrade negotiations will explore ways to strengthen the resilience and sustainability of regional supply chains, giving priority to the continued and smooth cross-border flow of essential goods and services.

ACFTA = ASEAN–China Free Trade Area, ASEAN = Association of Southeast Asian Nations.

Source: Ministry of Trade and Industry, Singapore (2023).

## 4. Urgent Problems to Solve

Scholars have highlighted several urgent challenges that need to be solved regarding the ACFTA.

### 4.1. Non-tariff barriers

Although the ACFTA has come into force, difficulties persist in exporting products to China – especially from new AMS, including Cambodia, the Lao People’s Democratic Republic (Lao PDR), and Myanmar – due to non-tariff barriers such as complicated procedures, import documentation, and customs regulations in China. Therefore, this issue is an urgent problem to solve.

## 4.2. Standardisation

China has become an important participant and leader in international standardisation, providing Chinese solutions in new energy technology, electric vehicles, and other industries. Therefore, strengthening cooperation between China and ASEAN in international standardisation is of great significance and an urgent task. Consequently, the establishment of China–ASEAN standardisation cooperation and a knowledge exchange platform should be an urgent task.

## 4.3. Building trust

Due to geopolitics and South China Sea issues, a trust deficit remains between ASEAN and China. ASEAN's main concern is China's rise – both economically and militarily – which creates competition and security concerns. China is concerned about neighbouring countries leaning too much on powers outside the region, which would impede its own rise. Therefore, building trust is a very important issue to solve.

The Belt and Road Initiative (BRI) should take trust building as its central task in advancing cooperation between China and AMS (Huang, 2017). To achieve this goal, China should not only consider the benefits of the initiative but also how to increase interdependence rather than unilateral dependence in China–ASEAN relations.

# 5. China–Cambodia FTA (CCFTA)

Cambodia and China established diplomatic relations on 19 July 1958. Cambodia is one of the China's closest allies in the region. With a neutral stance on South China Sea disputes and the One China policy, Cambodia has become an ironclad friend to China.

Cambodia has negotiated and signed the following 19 FTAs (Asia Regional Integration Center, n.d.):

1. East Asia Free Trade Area (ASEAN+3) (proposed/under consultation and study)
2. ASEAN–European Union (EU) Free Trade Agreement (proposed/under consultation and study)
3. Comprehensive Economic Partnership for East Asia (CEPEA/ASEAN+6) (proposed/under consultation and study)
4. ASEAN–Pakistan Free Trade Agreement (proposed/under consultation and study)
5. ASEAN–Eurasian Economic Union Free Trade Agreement (proposed/under consultation and study)
6. ASEAN–Gulf Cooperation Council Free Trade Agreement (proposed/under consultation and study)

7. Cambodia–Eurasian Economic Union FTA (proposed/under consultation and study)
8. ASEAN–Canada FTA (negotiations launched)
9. Cambodia–United Arab Emirates Comprehensive Partnership Agreement (signed but not yet in effect)
10. RCEP (signed and in effect)
11. ASEAN Free Trade Area (signed and in effect)
12. ASEAN–Republic of Korea (henceforth, Korea) Comprehensive Economic Cooperation Agreement (signed and in effect)
13. ASEAN–Japan Comprehensive Economic Partnership (signed and in effect)
14. ASEAN–India Comprehensive Economic Cooperation Agreement (signed and in effect)
15. ASEAN–Hong Kong Free Trade Agreement (signed and in effect)
16. ASEAN–China Comprehensive Economic Cooperation Agreement (signed and in effect)
17. ASEAN–Australia and New Zealand Free Trade Agreement (signed and in effect)
18. Cambodia–Korea Free Trade Agreement (signed and in effect)
19. Cambodia–China Free Trade Agreement (signed and in effect)

China and Cambodia signed an FTA on 12 October 2020, which became effective on 1 January 2022. According to the agreement, over 90% of tariff lines in trade in goods for both parties will enjoy zero tariffs, and the service market commitment represents the highest level amongst the two parties' agreements with their free trade partners. At the same time, both parties agreed to strengthen investment cooperation and carry out in-depth cooperation on the BRI, e-commerce, economic technologies, etc.

The CCFTA is a new milestone in the development of bilateral economic relations and trade and will improve the well-being of companies and people in both countries. The negotiations were conducted in two stages, as detailed below.

On 20–21 January 2020, the first round of negotiations for the CCFTA was held in Beijing. Assistant Minister of Commerce Ren Hongbin and Cambodia State Secretary of Commerce Sok Sopheak attended the opening ceremony and announced the official launch of CCFTA negotiations. During the 2-day meeting, the two parties carried out substantial negotiations on trade in goods, rules of origin, customs procedures and trade facilitation, technical barriers to trade, SPS measures, investment cooperation, trade in services, transparency, economic and technical cooperation, cooperation under the BRI, e-commerce, and related legal matters (China FTA Network, 2020a). According to the consensus reached by the leaders of China and Cambodia, the two parties had completed the joint feasibility research by the end of 2019. The conclusion of the joint feasibility research was positive, prompting the start of the negotiations. The signing of the CCFTA was a concrete measure to deepen bilateral economic and trade connections, develop a comprehensive bilateral strategic partnership, and promote the joint construction of a China–Cambodia community with a shared future, reflecting the traditional amity and profound friendship between China and Cambodia.

On 9 April 2020, the second round of negotiations on the CCFTA was held virtually. During this round, the two parties reached a broad consensus on the content of the agreement; and completed consultations on BRI cooperation, investment cooperation, economic and technological cooperation, e-commerce, and some legal issues. Important progress has been made in the fields of trade in goods, rules of origin, customs procedures and trade facilitation, technical barriers to trade, SPS measures, trade in services, transparency, and relevant laws. The two parties agreed to continue to speed up the negotiations through various means, including video conferences, and to take practical actions to promote free trade, stabilise the regional economy, safeguard supply chains, and fight the coronavirus disease (COVID-19).

Negotiations on and the signing of the CCFTA were important measures to implement the consensus reached by the leaders of the two countries. This was conducive to deepening the economic and trade ties between the two parties, developing the comprehensive strategic partnership between the two countries, and promoting the joint construction of the China–Cambodia community with a shared future (China FTA Network, 2020b).

On 9 September 2021, Cambodia's National Assembly ratified the bilateral FTA with China, which aims to increase trade in goods by reducing and eliminating tariffs and non-tariff barriers. The CCFTA extends across a wide range of sectors, including trade, tourism, investment, transportation, and agriculture. China provides duty-free status to 98% of imports from Cambodia whereas Cambodia has agreed to exemptions of up to 90% of imports from China. Although most of Cambodia's exports to China are tariff-free through the ACFTA, the CCFTA extends tariff-free trade to over 340 products, such as seafood, garlic, cashew nuts, and dried chilli.

## 6. Impacts of the ACFTA on Cambodian Economic Development Since 2003

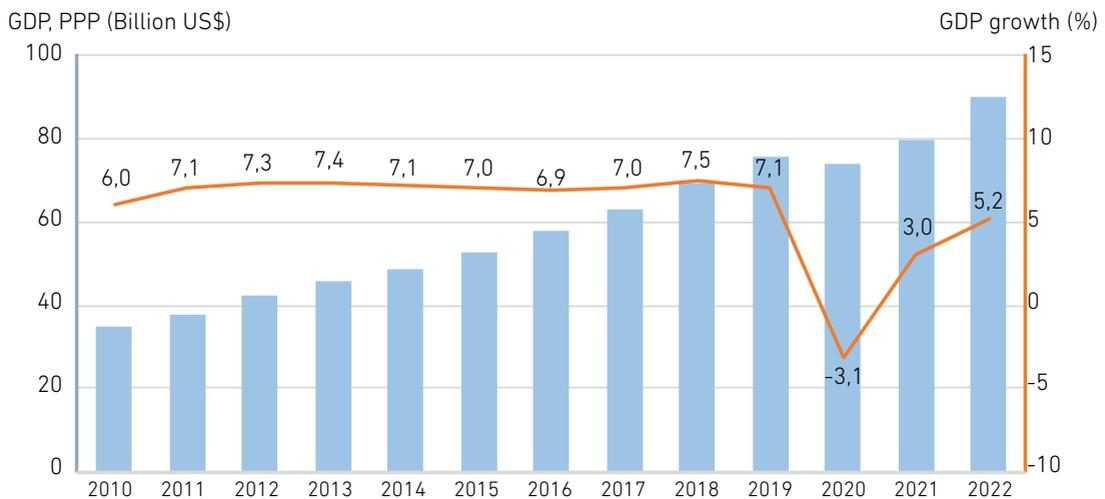
Cambodia has long been a partner of China. This partnership has accelerated in recent years as BRI projects have begun to take hold, with China reaching out to Southeast Asia to develop infrastructure and trade relations and upgrade local wealth. Cambodia's development has been an interesting example of how, in conjunction with the ACFTA and the recent RCEP agreement – Cambodia is a member of both – China has been combining development with free trade.

Despite some negative impacts, such as flooding the Cambodian market with Chinese products and investment and creating land speculation in some areas (especially Sihanoukville), the ACFTA has had a huge positive impact on the Cambodian economy as detailed below.

## 6.1. Economic development

Although the impact is difficult to quantify, it is assumed that the ACFTA has contributed to the economic development of Cambodia. Cambodia's gross domestic product (GDP) growth averaged 7% per year from 2014 to 2022 – except in 2020 due to the impact of the COVID-19 pandemic (Figure 8.1).

**Figure 8.1. GDP Growth of Cambodian Economy, 2014–2022**



GDP = gross domestic product, PPP = purchasing power parity.

Sources: For 2013–2022: Focus Economics (n.d.), Cambodia GDP. <https://www.focus-economics.com/country-indicator/cambodia/gdp/> (accessed 25 January 2024). For 2023: IMF (2024), 'IMF Executive Board Concludes 2023 Article IV Consultation with Cambodia', Press release No. 24/31, 31 January. <https://www.imf.org/en/News/Articles/2024/01/30/pr2431-cambodia-imf-executive-board-concludes-2023-article-iv-consultation>

## 6.2. Trade promotion

The ACFTA has contributed to trade promotion in Cambodia. As a result, China–Cambodia bilateral trade reached US\$11.2 billion in 2021.

Through the ACFTA and CCFTA, Cambodia managed to increase bilateral trade with China to US\$10 billion by 2023, up from US\$8 billion in 2020 (The Phnom Penh Post, 2024). This is a timely development for Cambodia as businesses continue to reel from the EU's withdrawal of the Everything but Arms (EBA) status in 2020. The EBA status was withdrawn because of what the EU perceived as serious and systemic violations of human rights in Cambodia. The EBA provides 49 of the world's poorest countries with duty-free access to EU markets (ASEAN Briefing, 2021).

## 6.3. Investment promotion

During 2012–2017, China invested over US\$15 billion, including US\$11 billion in the energy sector alone, in building infrastructure in Cambodia. The infrastructure also included roads/expressways, ports, and airports. The US\$1.9 billion expressway linking Phnom Penh and Sihanoukville, a port town and vacation destination, is located 12 kilometres from Sihanoukville Autonomous Port, Cambodia's sole international and commercial deep seaport (ASEAN Briefing, 2022).

Chinese investment in Cambodia increased significantly in 2021 despite the negative effects of the COVID-19 pandemic. Cambodia attracted fixed asset investments of US\$2.32 billion from China in 2021, up 67% from US\$1.39 billion in 2020. China was also the top foreign investor in Cambodia in 2020, accounting for 53.4% of the total investment of US\$4.35 billion (ASEAN Briefing, 2022). A case study from Chinese investment projects is highlighted in the box below.

### Box 8.1 Sihanoukville Special Economic Zone

Sihanoukville Special Economic Zone (SSEZ) is a positive case study of China's Belt and Road Initiative (BRI) and Cambodia–China economic cooperation. The megaproject was jointly developed and constructed by private companies from both Cambodia and China, with a commitment to building a multinational investment platform for companies around the world.

The overall planning area is 11.13 square kilometres. The first phase of the project will focus on textiles and garments, luggage and leather goods, wood products, solar panels, etc. as the main development industries. The second phase will take advantage of the port's advantages and focus on introducing hardware machinery, building materials, home furnishings, auto parts and tyres, new photovoltaic materials, and fine chemicals. When completed, the SSEZ will form an ecological model park with comprehensive supporting functions for 300 enterprises and employment for 80,000–100,000 industrial workers.

In 2023, although Cambodia had just recovered from the impacts of the coronavirus disease (COVID-19), the SSEZ attracted 175 companies from China, Europe, the United States, the Association of Southeast Asian Nations, and others, creating about 30,000 jobs in total. The SSEZ's total exports reached US\$2.49 billion, or 4.8% of the country's total exports, in 2023.

Source: Author's visit to SSEZ on 20 November 2023.

## 6.4. Attracting Chinese tourists

Cambodia's tourism industry is a key contributor to economic growth (21% of GDP in 2019), and the country has significant potential to develop the ecotourism subsector. In 2020, Cambodia attracted 1.31 million foreign visitors, a decline of 80% from 2019.

Despite the downturn, Cambodia is pegging the resurgence of this sector on Chinese tourists. In 2015, the government launched the 'China Ready for Cambodia Tourism' policy to attract more Chinese tourists. Two million Chinese tourists visited the country in 2019, although this dropped to 329,000 in 2020 due to the pandemic. After the COVID-19 related downturn of 2020, the two countries targeted a goal of reaching 5 million tourists by 2025 and 8 million by 2030 (ASEAN Briefing, 2022).

## 6.5. Boosting trade in agricultural products with China

Through the CCFTA, Cambodia can leverage and better develop its agriculture industry in return for Chinese efficiency in manufacturing or products, such as electronic devices that local producers cannot make.

From January to May 2021, Cambodian exports to China were valued at US\$558 million, an increase of 56% from the same period in 2020. This increase was attributed to the rising demand for Cambodian agricultural products in China. Beijing has been Cambodia's top source of development aid since 2010, reaching a cumulative total of US\$5.8 billion in the period up to 2018. Through this, China has financed major irrigation projects, rice mills, and agricultural schools. Some 17% of the 100 projects funded by China over the past 20 years have been agricultural-related (ASEAN Briefing, 2021).

Cambodia also saw a 200% surge in fruit exports in the first 5 months of 2021. Such exports could help Cambodia gradually chip away at the country's large trade deficit with China. Cambodian exports accounted for only US\$1 billion of the US\$8 billion in bilateral trade in 2020 (ASEAN Briefing, 2021).

Exports of fresh Cambodian mango were made possible because both countries finalised sanitary requirements for fresh fruit in June 2020. This arrangement allows Chinese regulators to certify that specific Cambodian packing factories and orchards meet quality standards. This was previously not the case, and Cambodian exporters had to ship their produce to Viet Nam before entering China. Cambodian bananas received similar approval in 2018, with exports rising to US\$121 million in 2020 from US\$8 million in 2019.<sup>2</sup>

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<sup>2</sup> [www.aseanstats.org](http://www.aseanstats.org)

Cambodia's agriculture sector is highly fragmented and dominated by smallholders. Therefore, the government needs to develop policies to support small and medium-sized farmers to create efficiency in the sector. Quality standard compliance also poses one of the biggest challenges for boosting agricultural exports. In addition, Cambodia needs better infrastructure and investment, such as processing facilities, in the downstream segments.

## 6.6. Covering losses caused by EBA revocation

From the initial estimates of the CCFTA, the trade pact will add income to Cambodia's economy, whereas the withdrawal of Cambodia's EBA status will impact the country's exports to the EU. The sectors most impacted are textile, garment, and footwear manufacturing, which account for 80.0% of Cambodia's total exports, compared with only 5.4% for agriculture (ASEAN Briefing, 2021).

## 7. Conclusion

The ACFTA is ASEAN's oldest FTA amongst its Dialogue Partners. Upgrading the ACFTA sends a signal to the private sector and all stakeholders that both ASEAN and China are committed to make the ACFTA more relevant to businesses, future-ready, and responsive to global challenges.

The ACFTA 3.0 aims to minimise barriers and deepen economic linkages between the parties; lower costs; increase intra-regional trade and investment; increase economic efficiency; create a larger market with greater opportunities and larger economies of scale for the businesses of the parties; and enhance the attractiveness of the parties to capital and talent.

The ACFTA has created huge positive impacts to AMS, including Cambodia, especially in trade and investment promotion, technology transfer, and job creation.

Building trust amongst the parties will create more benefits from cooperation between AMS and China, and reduce obstacles to the implementation of the FTA.

## 8. Policy Recommendations

The ACFTA could be made more relevant and beneficial through the following policy recommendations for ASEAN and China on concrete measures and areas of interest between the parties.

## 8.1. Reduce non-tariff barriers to trade

The ACFTA should deepen the inspection and quarantine cooperation between countries and explore cross-border information exchange through national single windows while deepening cooperation in animal and plant quarantine and food safety, and speeding up negotiations on quarantine protocols for the export of ASEAN's quality agricultural products and food products to China.

## 8.2. Carry out domestic reforms

The ACFTA provides opportunities for parties to reap the benefits of trade in goods and services, which also creates competition amongst them. Individual AMS should carry out domestic reforms to create opportunities to promote trade, investment, technology transfer, and job creation. Domestic reforms should be made in line with protocols related to the ACFTA and other bilateral and regional FTAs, especially those related to investment liberalisation, facilitation, and protection; mutual recognition of standards and conformity (e.g. qualification and mobility of professionals), etc.

## 8.3. Build trust

Building trust amongst the parties is crucial to promote regional cooperation in realising the BRI and ACFTA as win-win achievements. It could also smoothen relations between some AMS and China to improve mutual understanding. Geopolitical tensions could be lessened by highlighting the economic benefits of the ACFTA through building trust between China and AMS.

## 8.4. Build capacity in Cambodia, the Lao PDR, Myanmar, and Viet Nam (CLMV)

Human capital is constrained in the new AMS (CLMV). To reap economic gains from the ACFTA 3.0, China and the six original member states of ASEAN (Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand) should provide more capacity building in CLMV countries, especially in new emerging areas such as the digital economy, the green economy, and research and development in science and technology.

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