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## **SINGAPORE SUBSTANTIALLY CONCLUDES THE ASEAN-CHINA FREE TRADE AREA 3.0 UPGRADE NEGOTIATIONS**

1. ASEAN and China have substantially concluded the **ASEAN-China Free Trade Area (ACFTA) 3.0 Upgrade negotiations**, announced by Prime Minister Lawrence Wong and other ASEAN and China Leaders at the 27<sup>th</sup> ASEAN-China Summit on 10 October 2024.
2. Negotiated by the Ministry of Trade and Industry (MTI), the ACFTA 3.0 Upgrade negotiations were launched in 2022, with the aim of ensuring the Agreement remains relevant, future-ready, and responsive to global challenges. This is the ACFTA's second upgrade since its inception in 2010. Both sides are now working towards the full conclusion of negotiations targeted for next year.
3. The Upgrade covers new and enhanced rules on (a) Customs Procedures, (b) non-tariff barriers including standards and technical regulations covering food, agriculture and industrial products, (c) Digital Economy, (d) Green Economy, (e) Supply Chain Connectivity, (f) Competition and Consumer Protection, (g) Micro, Small and Medium Sized Enterprises (MSMEs), and (h) economic and technical cooperation.
4. Once implemented, the Agreement will create a more business-friendly and future-oriented environment for companies to tap into opportunities between ASEAN and China. Singapore-based companies will benefit from improved facilitation of trade flows, greater transparency and certainty especially during supply chain disruptions, better protection for consumers, and the opportunity to explore new synergies in emerging areas such as the digital and green economies.
5. Deputy Prime Minister and Minister for Trade and Industry Gan Kim Yong said, "The ASEAN-China Free Trade Area 3.0 Upgrade ushers in a new era of cooperation between ASEAN and China. This Upgrade underscores ASEAN and China's shared commitment to keep our economies open, advance trade liberalisation and multilateralism amidst a complex global environment, and sets the foundation for new areas of complementarities. It will also ease transactions for businesses, in particular small and medium enterprises, across our markets. The introduction of new Chapters on Supply Chain Connectivity, Digital Economy, and Green Economy — a first for ASEAN agreements — positions our businesses and people to leverage emerging areas, ensuring competitiveness and resilience against future challenges. I look forward to the signing of the upgraded Agreement as soon as possible next year and its early entry into force."
6. The ACFTA covers a free trade area of over 2 billion people with a combined GDP exceeding USD 20 trillion. Since its inception in 2010, ASEAN's trade in goods with China has more than tripled, from USD 235.5 billion to USD

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696.7 billion in 2023. In 2023, foreign direct investment (FDI) from China to ASEAN amounted to USD 17.3 billion, making China ASEAN's largest trading partner and third largest source of FDI.

**Annex: Factsheet on the ACFTA 3.0 Upgrade**

**MINISTRY OF TRADE AND INDUSTRY**

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**Annex**

**Factsheet on the ACFTA 3.0 Upgrade**

1. The ASEAN-China Free Trade Area (ACFTA) entered into force in 2010 and is the cornerstone of China-ASEAN relations. It is ASEAN's first Free Trade Agreement (FTA) with an external dialogue partner and China's first FTA. The ACFTA 3.0 marks the second upgrade of the ACFTA.<sup>1</sup>
  
2. The ACFTA 3.0 Upgrade will introduce five new chapters:
  - a. **Digital Economy**: It includes provisions on e-invoicing, digital identities, e-payments, digital trade standards, paperless trade and digital infrastructure connectivity, as well as obligations on data governance such as online personal data protection, electronic transaction framework, and cross-border data flows. These will ensure more seamless end-to-end digital trade for our businesses operating in ASEAN and China. It also covers cooperation in emerging areas including cybersecurity, artificial intelligence, and fintech cooperation, which will help businesses to capitalise on new opportunities presented by emerging technology. Consumers will also benefit from cooperation against anti-online scams. This Chapter also takes into account the digital divide through provisions on MSMEs and Digital Inclusion.
  
  - b. **Green Economy**: Built on a set of green economy principles, the provision on Environmental Goods and Services and nine priority areas of cooperation lay out a structured pathway for deeper and closer collaboration which promotes the growth of a green and climate resilient economy and regional energy transition. With Parties' agreement to strengthen communication and experience sharing in key areas such as green investment sustainable finance and green technology, this Chapter establishes a good foundation for more comprehensive cooperation on green economy between ASEAN and China, greater economic growth for the region, and a more conducive environment for businesses and other stakeholders to access opportunities in the green economy.
  
  - c. **Supply Chain Connectivity**: It introduces provisions to strengthen the resilience and connectivity of regional supply chains and prioritise the smooth cross-border flow of essential goods and services. Drawing lessons from the COVID-19 pandemic, this chapter underscores the importance of keeping markets open, improving the facilitation of trade in goods, strengthening infrastructure connectivity and enhancing technology and innovation. Building on ASEAN-China

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<sup>1</sup> The first upgrade of the ACFTA was concluded in 2015.

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cooperation, the chapter also promotes public-private partnerships, and includes specific provisions to respond to humanitarian crises and supply chain disruptions. This will help ensure the resilience of businesses as well as provide more certainty for consumers who rely on the continued flows of essential products in their daily lives.

- d. Micro, Small, and Medium Enterprises (MSMEs): It fosters closer cooperation between ASEAN and China's MSME authorities, and private sector, to enhance MSME's participation in international trade, support MSMEs to capture opportunities in new and emerging areas such as sustainability, and better integrate these enterprises into the global value chain.
  - e. Competition and Consumer Protection: The Competition and Consumer Protection Chapter is the first ASEAN FTA as well as China's first FTA to include comprehensive provisions on consumer protection, extending beyond traditional cooperation to also protect consumers engaged in electronic commerce and other new commitments. The strengthened provisions on competition emphasise transparency and information exchange in law enforcement, which will also provide businesses with greater protection against anti-competitive activities as well as more effective navigation of applicable laws, rules or regulations. The ACFTA Competition and Consumer Protection Chapter is expected to enhance cooperation and coordination in competition and consumer protection between ASEAN and China, in the various areas including digital market and electronic commerce.
3. Other new or enhanced commitments in existing chapters include:
- a. Customs Procedures and Trade Facilitation. The upgraded Chapter incorporates new trade facilitative provisions pertaining to Express Consignments, Single Window, Release of Goods, and Pre-Shipment Inspection, among others. For instance, timelines for the release of goods and express consignments have been introduced, which will ensure the efficient or expedited release of goods and express consignments. Furthermore, existing provisions, such as Customs Cooperation, Application of Information Technology, Risk Management, Advance Rulings, Review and Appeal, Pre-arrival Processing, Post Clearance Audit and Trade Facilitation Measures for Authorised Operators are enhanced to facilitate trade under the ACFTA. For example, service level standards pertaining to issuance of advance rulings are introduced to ensure certainty for traders when applying for such services.
  - b. Standards, Technical Regulations and Conformity Assessment Procedures (STRACAP). This Chapter (renamed from the previous

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“Technical Barriers to Trade”), incorporates new provisions to facilitate cooperation on conformity assessment results by entering into negotiations for mutual recognition agreements. This help facilitate increased interoperability and reduced costs for businesses operating between ASEAN and China. The STRACAP Chapter is also expected to strengthen the cooperation between ASEAN and China in the development, and improvement and recognition of standards, technical regulations and conformity assessment procedures in areas of mutual interest through technical exchange, technical assistance, capacity building and joint study.

- c. Sanitary and Phytosanitary Measures. Recognising the significance of sanitary and phytosanitary (SPS) measures in facilitating trade in food and agricultural products, the SPS chapter has been upgraded to enhance transparency, facilitate information exchange and technical cooperation, thereby providing businesses with greater clarity on relevant SPS measures as well as enhancing Parties’ mutual understanding of each other’s regulatory systems regarding SPS measures. A Sub-Committee on SPS measures will be established to improve communication and monitor the implementation of this Chapter. Additionally, it will facilitate information exchange and technical cooperation, thereby enhancing mutual understanding of each party’s regulatory system related to SPS measures.
- d. Economic and Technical Cooperation. The Chapter continues to provide a comprehensive framework for economic cooperation activities between China and ASEAN and at the same time provides a window for both sides to expand cooperation on emerging issues such as Digital Economy, Green Economy, Supply Chain Connectivity, Competition and Consumer Protection. It also institutionalises the establishment of a Working Group on Economic and Technical Cooperation that will be responsible for overseeing and ensuring the effective implementation of the mutually agreed activities.