



Report of the ASEAN–China Free Trade Agreement –Joint Committee (ACFTA-JC) on the Implementation of the ASEAN–China FTA Agreements

1. The ACFTA-JC has met once since the 19th AEM-MOFCOM Consultations in August 2020. The 14th Meeting of ACFTA-JC was held on 30 July 2021 via videoconference.
2. The Preparatory Meeting for the Third ASEAN-China FTA Working Group on Investment (Prep-ACFTA WGI) was also held via video conference on 29 June 2021. The meeting was set as an introductory meeting to discuss the upgrading of the ACIA and agree to find mutual understanding on the level of ambition for the upgrade, as well as the proposed core elements.
3. This Report reflects the progress of the work and deliberations on issues under the purview of the ACFTA-JC, and contains recommendations for the Ministers' consideration.

I. TRADE AND INVESTMENT BETWEEN ASEAN AND CHINA

4. Total merchandise trade between ASEAN and China reached 516.9 billion in 2020, registering an increase of 1.8% year-on-year despite the challenging trade environment brought by the COVID-19 pandemic. For 2020, China maintained the pole position as **ASEAN's largest trading partner**. According to China's statistics, over the past 30 years, ASEAN-China trade in goods has grown from USD 7.96 billion to USD 684.6 billion, and cumulative two-way investment has exceeded USD 260 billion. China has been ASEAN's largest trading partner for 12 years in a row, and ASEAN for the first time became China's largest trading partner in 2020. The implementation and enhancement of the ACFTA has strengthened ASEAN and China's economic relations.
5. Major export commodities from ASEAN to China are electrical machinery and equipment parts, mineral fuels, nuclear reactors, boilers, machinery and mechanical appliances, plastics and rubber. ASEAN mostly imports electrical machinery and equipment parts, nuclear reactors, boilers, machinery and mechanical appliances, mineral fuels, plastics and iron and steel.
6. According to ASEAN's statistics, ASEAN's exports to China grew at an average annual rate of 7.3% from 2011 to 2020 as compared to 9.5% for ASEAN's imports from China during the same period. ASEAN's trade deficit with China has increased from USD 14.9 billion in 2011 to USD 80 billion in 2020.
7. Foreign Direct Investment (FDI) flows from China to ASEAN amounted to USD 7.6 billion in 2020, accounting for 5.5 per cent of ASEAN's total FDI, placing China as the fourth largest source of FDI among ASEAN's Dialogue Partners.

II. FOLLOW UP FROM THE 18TH AEM-MOFCOM CONSULTATIONS

8. The ACFTA JC and its relevant Working Groups/Sub-Committees have worked on the follow-up to the decisions made at the 19th AEM-MOFCOM Consultations, particularly on the following:

- (i) Implementation issues under ACFTA;
- (ii) Remaining elements of the Future Work Programme under the ACFTA Upgrading Protocol; and,
- (iii) ASEAN-China economic cooperation.

III. IMPLEMENTATION OF ACFTA

Implementation Issues under ACFTA

9. The 14th ACFTA JC Meeting reaffirmed its commitment to address the implementation issues highlighted in the list of implementation issues under ACFTA. The Meeting agreed to use the ACFTA JC as the main platform to discuss the implementation issues. For further technical discussions, the Meeting agreed to task relevant working groups to explore ways to discuss, monitor, and resolve sector-specific issues. The 14th ACFTA JC Meeting noted the need to set up a structured and institutionalised monitoring mechanism for parties to raise, resolve and monitor implementation issues and requested the ASEAN Secretariat to include resolution timelines in the mechanism being developed, to track and monitor ACFTA implementation issues.

Trade in Goods

10. **Transposition of Tariff Reduction Schedules (TRS)**. On the transposition of the Tariff Reduction Schedule (TRS) under the ACFTA, the Meeting noted that all Parties have already implemented the TRS in HS 2017. During the 14th ACFTA JC, ASEAN has followed up the request for China to submit her two-way correlation table of HS 2012 to HS 2017 and HS 2017 to HS 2019 in English and Excel version and the completed TRS in HS 2019 to assist their review of China's transposed TRS. The Meeting noted that China has already sent her correlation table of HS 2016 to HS 2017 and her TRS in HS 2021.

The Philippines' 3rd Package of Service Commitments under the ACFTA Upgrade Protocol

11. Regarding the inclusion of the Philippines 3rd Package of Service Commitments (SOC) to the ACFTA Upgrading Protocol, China expressed her confirmation and agreement to the Philippines' submission of its 3rd Package of SOC. The 14th ACFTA JC Meeting agreed on the expansion of the ASEAN Secretary-General's role to notify and to endorse the submission of the Philippines' SOC for the 3rd Package under the ACFTA Upgrading Protocol. The ASEAN Secretariat was requested to provide intersessionally a draft of the ASEAN Secretary-General's notification of the said

submission and an explanation of how Philippines' 3rd Package of SOC would enter into force.

Future Work Programme

12. During the 19th AEM-MOFCOM Consultations, the Ministers has endorsed the next steps for the remaining elements in the Future Work Programme under the ACFTA Upgrading Protocol including the discussion of further liberalisation of trade in goods, investment liberalisation and protection, and to identify other areas which should be beneficial for both sides. In this regard, ASEAN submitted the draft *Scoping Paper to Implement the ASEAN-China Protocol to Amend the Framework Agreement on Comprehensive Economic Co-operation and Certain Agreements Thereunder* (hereinafter referred to as the draft Scoping Paper) which was prepared by the ASEAN Secretariat, two days prior to the 14th ACFTA JC Meeting. The meeting noted the draft Scoping Paper was different from the 19th AEM-MOFCOM Consultations' instruction of drafting a *Scoping Paper on the Modality of the Further Liberalization of Trade in Goods*, since it included various areas and fell within the scope of Upgrading Negotiation, which is required to be discussed under the framework of a Joint Feasibility Study.

13. In this regard, the Meeting suggested both sides hold discussions on how to conduct a Joint Feasibility Study before discussing a possible upgrade of the ACFTA and the scope of the upgrade, and tasked the ASEAN Secretariat to draft a concept note for the Joint Feasibility Study on upgrading the ACFTA (hereinafter referred to as the Concept Note), for an inter-sessional consideration by the ACFTA-JC. The meeting acknowledged China's request to report to her Minister upon receiving the Concept Note and seek for her Minister's instructions on the next step, The Meeting also noted that work on the remaining elements under the Future Work Programme (i.e. further liberalisation of trade in goods, investment liberalisation and protection) should continue in parallel.

14. Furthermore, the 14th ACFTA JC Meeting agreed the following next steps to be reported to the 20th AEM-MOFCOM Consultations : i) to draft a concept note for the Joint Feasibility Study on upgrading the ACFTA, for inter-sessional consideration by the ACFTA-JC; ii) to discuss details on the areas that would be included in the Joint Feasibility Study.

Ministers may wish to

- (i) AGREE*** for both sides to consider conducting a joint feasibility study to identify other areas for possible inclusion in further enhancing the ACFTA; and,
- (ii)*** In parallel, **TASK** officials to expeditiously complete the remaining elements of the Future Work Programme under the ACFTA Upgrading Protocol.

IV. ECONOMIC COOPERATION

15. The *ASEAN-China Grant to support the economic and technical cooperation under the ASEAN-China Free Trade Area Agreements (ACFTA Grant)*, of RMB 50 million (approx. USD 7.3 million), was announced by Premier Li Keqiang at the 18th China-ASEAN Leaders' Summit in 2015. The Term of Reference (TOR) for the ACFTA Grant was originally agreed by ASEAN and China on 9 April 2018. This Grant is managed by the China International Development Cooperation Agency (CIDCA), which was inaugurated in April 2018 and began operation in November 2018. To date, one project has been implemented, while two others are on-going. Currently CIDCA is considering an Memorandum of Understanding (MOU) or a Technical Cooperation Agreement (TAC) with ASEAN as a basis for managing the ACFTA Grant.

16. To improve the implementation of the ACFTA Grant, and following up from the discussions at the 14th ACFTA JC, the ASEAN co-Chair of the ASEAN-China FTA Working Group on Economic and Technical Cooperation (ACFTA-WGETC) sent an official letter dated 13 August 2021 to the Chairman of CIDCA to request CIDCA to work with its relevant agencies to:

- (i) find ways to expedite the appraisal and approval procedures for the projects;
- (ii) share detailed information on mechanisms for the management and reporting of the projects, to ensure their outcomes are agreed by ASEAN; and
- (iii) keep the ACFTA-WGETC and the ACFTA-IC updated on the intention, scope, and progress of discussion on the MOU/ TAC with ASEAN.

Ministers may wish to:

- (i) ***NOTE the updates on the implementation of the ACFTA Grant***
