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The development and evolution of the China-ASEAN FTA has facilitated the expansion of Chinese enterprises abroad

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The Free Trade Agreement (FTA) strategy is a key initiative for China's deepening reforms and continued opening-up. The China-ASEAN FTA was the first free trade agreement China signed with an external partner, and also the first FTA between ASEAN and a non-ASEAN country or region, holding significant importance for enhancing economic and trade cooperation and expanding exchanges in other areas.

Over the past two decades, Chinese enterprises have expanded overseas, significantly increasing their foreign investment. Data shows that China's outward direct investment reached $174.38 billion in 2025, with an average annual compound growth rate of 11.7% from 2006 to 2025. In terms of industrial investment structure, Chinese companies' overseas ventures have evolved from initially focusing on labor-intensive and resource-driven traditional manufacturing industries to high-value-added sectors such as electronics, new energy equipment, financial services, tourism, and telecommunications. They have further extended into areas like cross-border e-commerce, digital infrastructure development, and new energy industries, involving alignment with international rules and standards. This reflects the practical demand of Chinese enterprises for bilateral policy connectivity and represents a concrete manifestation of how these demands are "pushing" the China-ASEAN FTA toward continuous iteration and upgrading. Meanwhile, over the 20 years since the signing of the China-ASEAN FTA, the agreement has evolved from an initial phase focused on quantitative expansion through tariff reductions in goods trade, to qualitative improvements through sustained openness in services and investment, and finally to a new stage of "co-construction of rules," incorporating emerging provisions on the digital economy, green economy, and supply chain connectivity, precisely aligning with the evolving needs of Chinese enterprises going global.

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The policy connectivity pathway for Chinese enterprises going global has been effectively established. In particular, the China-ASEAN Free Trade Area 3.0 Upgrade Protocol signed in October 2025 comes at an opportune moment. It not only meets the practical needs of Chinese enterprises expanding overseas in terms of policy coordination in the new era, but also reflects the objective trend of continuous evolution and iterative upgrades in the China-ASEAN FTA. Moreover, it represents a significant step toward enhancing the quality and efficiency of economic and trade relations between China and ASEAN countries.

In light of this, this paper will describe the changes in bilateral trade and investment structures since the signing of the China-ASEAN FTA, analyze the reasons behind the differentiation in bilateral trade structure and investment industry distribution, and, based on these findings, explore the future impact and opportunities for Chinese enterprises going global under the terms of the China-ASEAN FTA 3.0.

I. The iteration and upgrading of the China-ASEAN FTA have laid the policy foundation for Chinese enterprises to go global

In November 2002, China and ASEAN jointly signed the Framework Agreement on Comprehensive Economic Cooperation between China and ASEAN, marking a significant milestone in launching FTA negotiations. The China-ASEAN FTA 1.0 version entered into force smoothly in 2010. Subsequently, in November 2015 and October 2025, China and ASEAN respectively signed the upgrading Protocols for the China-ASEAN FTA 2.0 and FTA 3.0 versions. It is expected to be officially implemented around 2026.

The China-ASEAN Free Trade Agreement is one of the earlier free trade agreements (FTAs) initiated among developing economies on a global scale. Over more than two decades of development and evolution, the China-ASEAN FTA has progressed from its initial phase (1.0 version), which focused primarily on tariff reductions to promote goods trade liberalization, to the 2.0 version, characterized by continuous expansion in service trade and investment liberalization, and further evolved into the 3.0 version, incorporating emerging areas such as digital economy, green economy, and supply chain connectivity through joint rule-making. This iterative upgrade has effectively paved a policy pathway for Chinese enterprises going global.

II. Analysis of Trade and Industrial Structure Investment Differentiation among Chinese Enterprises in the FTA Upgrading Path

Over the past two decades, as Chinese enterprises have expanded overseas, it has coincided with the iterative upgrading of China-ASEAN FTAs and the continuous expansion of bilateral market openness. The underlying logic is that enterprises' actual overseas initiatives have consistently demanded policy connectivity, thereby "pushing" for the evolution and enhancement of the China-ASEAN FTA. At the same time, upgraded free trade agreements provide a protective framework for enterprise globalization, offering deeper institutional support. This section will analyze the differentiated patterns in China-ASEAN trade products, industrial structures, and investment during the process of FTA upgrades.

(i) Transitioning from complementary goods trade to raw materials and intermediate goods trade

During the 1.0 phase of the FTA, trade between China and ASEAN was primarily based on complementary goods. Data shows that from 2002 to 2015, the total bilateral trade volume between China and ASEAN grew from $54.77 billion to $467.14 billion, with a compound annual growth rate (CAGR) of 17.9%, increasing its share in China's total foreign trade from 8.8% to 11.8%. Among this, China's exports to ASEAN rose from $23.57 billion to $279 billion, with a CAGR of 20.9%, raising its share in China's total exports from 7.2% to 12.3%; meanwhile, China's imports from ASEAN increased from $31.19 billion to $188.14 billion, with a CAGR of 14.8%, elevating its share in China's total imports from 10.6% to 11.2%. In terms of product structure, China's main exports to ASEAN included plastics and plastic products, textile raw materials and finished goods, ferrous and non-ferrous metal products, machinery and electrical equipment, and chemical products, which recorded CAGRs of 20.0%, 17.8%, 12.7%, 10.0%, and 9.5%, respectively, between 2008 and 2015. Conversely, ASEAN's exports to China were dominated by primary electronic products, resource-based goods (such as minerals, rubber, and rubber products), and agricultural products.

In the 2.0 phase of FTA development, as Chinese enterprises increasingly invest in Southeast Asia, raw materials and intermediate goods have become the main traded commodities. Data shows that between 2016 and 2025, China's total trade volume with ASEAN grew from $460.38 billion to $1.05587 trillion, representing a compound annual growth rate (CAGR) of 8.5%, increasing its share of China's total foreign trade from 12.5% to 16.6%. During this period, China's exports to ASEAN rose from $279 billion to $666.29 billion, with a CAGR of 9.1%, raising its share of China's total exports from 12.6% to 17.7%. Meanwhile, China's imports from ASEAN increased from $196.03 billion to $389.58 billion, with a CAGR of 7.6%, elevating its share of China's total imports from 12.4% to 15.1%.

In terms of trade product structure, as ASEAN markets continue to open up and investment facilitation improves, coupled with rising domestic production costs in China, Chinese enterprises are accelerating their expansion into Southeast Asia. Many now directly invest in local manufacturing plants and export finished products to European and American markets. As a result, raw materials and intermediate goods, such as electronic products and new energy equipment have become the primary exports from China to ASEAN during this stage. Among these, vehicles, aircraft, ships, and transport equipment; machinery and electrical products; plastics and plastic products; and chemical industry products stand out as intermediate goods showing particularly strong growth, with CAGRs of 14.8%, 14.1%, 14.0%, and 9.4%, respectively, between 2016 and 2025. On the other hand, ASEAN's exports to China mainly consist of resource-based and agricultural products, including ferrous and non-ferrous metals and their products, animal products, minerals, wood pulp, and related products.

(ii) Shifting the industrial investment structure from singularity toward diversification

Under the FTA 1.0 framework, Chinese enterprises' outward direct investment (ODI) has significantly increased, but their industrial structure remains relatively single. From 2003 to 2015, China's ODI to ASEAN rose from $120 million to $14.6 billion, achieving a compound annual growth rate of 49.3%, and its share in China's total ODI increased from 1.3% to 10.0%. In terms of industry structure, due

to limited early-stage openness in service trade and investment between the two sides, along with numerous restrictions and barriers, Chinese enterprises had access to only a narrow range of sectors for local investment. These investments were primarily concentrated in labor-intensive and resource-oriented industries such as traditional manufacturing (e.g., textiles, apparel, footwear), mining, and supporting service sectors (e.g., wholesale and retail, transportation). The combined ODI share of these industries accounted for over 60% on average.

Under the open conditions of FTA 2.0, Chinese enterprises have seen steady growth in outward direct investment (ODI), with diversified industrial layouts. Data shows that from 2016 to 2024, China's ODI to ASEAN increased from $10.279 billion to $34.365 billion, achieving a compound annual growth rate (CAGR) of 16.3% over this period, raising its share in total Chinese ODI from 5.2% to 17.9%. At the industry structure level, as restrictions on equity ownership and business scope for company establishment have gradually eased, the number of direct investment enterprises established by Chinese firms in Southeast Asia has continuously grown from over 3,600 at the end of 2015 to more than 9,000 by the end of 2024, representing a CAGR of 10.7%. In terms of investment sectors, Chinese ODI exhibits a diversified pattern dominated by manufacturing, alongside steady expansion into services. Manufacturing has long been a key component of Chinese investment in Southeast Asia. From 2016 to 2024, it maintained an average share of over 38.0% in overall Chinese ODI, up from previous levels during the 1.0 era; however, its growth rate slowed. Between 2007 and 2015, the sector's CAGR was approximately 31.8%, while from 2016 to 2024 it declined to 20.2%. This slowdown is primarily due to Chinese manufacturing enterprises transitioning from "scale expansion" to high-quality production, shifting progressively from labor-intensive and resource-driven traditional industries toward capital- and technology-intensive new manufacturing sectors such as electronics, green energy products (e.g., photovoltaics and new-energy vehicles), and smart home devices. In the service sector, as ASEAN countries have made higher-level commitments to open their markets in trade services, transportation, finance, and telecommunications, Chinese enterprises have increasingly invested in these areas. Data indicates that from 2016 to 2024, services including wholesale and retail, business services, information transmission, computer services and software, and real estate accounted for an average of over 40.3% of total Chinese ODI—up about 6.0% compared to the 2008–2015 period. In terms of growth rates, the CAGR for wholesale and retail, leasing and business services, and information transmission services between 2016 and 2024 was 15.0%, significantly lower than the 48.1% recorded from 2008 to 2015, indicating that Chinese investments in ASEAN services have also transitioned from rapid scale expansion to a phase of stable, high-quality growth. Notably, as ASEAN expands openness in commerce, communications, finance, and telecommunications, it has created favorable conditions for Chinese financial institutions to establish local branches, enabling them to provide financing and investment services to both existing Chinese enterprises in the region and those preparing to go global. Meanwhile, the opening of the construction sector has encouraged Chinese firms to participate in local infrastructure projects, laying the foundation for alignment of bilateral engineering standards and creating prerequisites for China-ASEAN infrastructure connectivity. Furthermore, liberalization in telecommunications services supports Chinese enterprises' involvement in local digital infrastructure development, forming a cornerstone for future cooperation in bilateral digital economies.

III. With the implementation of the China-ASEAN FTA 3.0, Chinese enterprises pursuing international expansion are entering a new phase

In recent years, economic globalization has faced obstacles, with rising trade protectionism and unilateralism, compounded by intensifying geopolitical competition, continuously threatening the security of industrial chains, supply chains, and energy supplies. Against this backdrop, China-ASEAN trade has defied the trend, reaching a bilateral trade volume exceeding one trillion U.S. dollars in 2025, maintaining their position as each other's largest trading partner for six consecutive years, demonstrating the resilience and development potential of free trade. Moreover, digital economy, green economy, and supply chain security are key focal points for future global economic development. The China-ASEAN FTA 3.0 incorporates relevant provisions accordingly, serving as a pioneering initiative that aligns with global economic trends, establishing a new framework of trade and investment rules to support Chinese enterprises in embarking on a fresh chapter of overseas expansion.

First, deepening institutional rules creates opportunities for Chinese enterprises to expand into Southeast Asian markets. Digital and green economies are the core drivers of global economic growth in the future and represent key sectors for Chinese companies going global. China and ASEAN possess strong complementarity in cooperation on digital and green economies. The upgraded agreement (China-ASEAN FTA 3.0) incorporates these issues, providing an institutional policy framework for intergovernmental collaboration on digital trade development, establishing green standards, facilitating cross-border data flows, and advancing sustainable development. This strengthens government cooperation and lays a solid foundation for consensus-driven industrial collaboration. It also enables Chinese and ASEAN enterprises to invest in each other's countries within a resilient, stable, predictable, and promising regional market amid volatile international economic conditions. This benefits leading companies such as Huawei, Tencent, and BYD by creating new opportunities to expand and deepen their presence in Southeast Asia.

Second, the inclusion of a dedicated digital economy chapter opens up opportunities for Chinese firms to enter Southeast Asia's digital markets. In recent years, Southeast Asia's digital economy has grown rapidly. The region's digital economy is over $300 billion in 2025, with analyst estimates forecasting it could reach 1 trillion by 2030. With the signing of China-ASEAN FTA 3.0, both sides will ensure cross-border data flows, strengthen personal information protection, and explore mutual recognition of protection levels. They will enhance regulatory cooperation in areas such as cybersecurity, countering online fraud, and unsolicited commercial electronic messages. Additionally, cooperation will extend to "hard connectivity" areas like logistics and digital infrastructure, as well as "soft connectivity" initiatives including single windows, e-invoicing, electronic payments, and electronic bills, improving system compatibility and reducing business costs. Furthermore, collaboration will deepen in emerging subsectors such as digital identity, fintech, artificial intelligence, and digital trade standards. These digital economy collaborations will foster an open, inclusive, fair, and equitable environment for digital development between China and ASEAN, encouraging closer ties and cooperation among enterprises. Advanced technologies and mature business models from China's digital sector can be introduced into ASEAN, driving local industry development and digital connectivity. This

undoubtedly creates significant opportunities for Chinese tech giants such as ByteDance, ZTE, and Alibaba Cloud to deeply integrate into the regional digital economy. Currently, these leading technology companies have invested in ASEAN, engaged in close partnerships with local digital firms, and achieved substantial results. For example, in Vietnam, with technical and equipment support from Chinese companies like ZTE, the number of 5G base stations surged in Q1 2026, increasing network coverage from 26% in mid-2025 to 91.9%, while internet users surpassed 80 million.

Third, implementing the Global Energy Development Initiative promotes regional green economic growth and creates opportunities for new-energy vehicle manufacturers to go global. China and ASEAN are actively advancing the United Nations' Sustainable Development Goals 2030, promoting green development in regional economies, and building new growth engines based on clean and renewable energy, green industries, innovation, and best available technologies to achieve low-carbon, resource-efficient, climate-resilient, and sustainable development. To this end, the China-ASEAN FTA 3.0 clearly defines green economy, new energy, sustainable finance, and green skills, establishing green trade, green investment, circular economy, sustainable finance, green standards, and digital-green synergy as priority cooperation areas across the entire industrial chain from research and development, financing, production, consumption to recycling. Driven by policy support and energy structure adjustments, the ASEAN new-energy vehicle market is entering a phase of rapid growth. According to a report released by international consulting firm EY-Bosch, local electric vehicle sales are expected to grow from $2 billion in 2021 to between $80 billion and $100 billion by 2035. Facing vast market potential, Chinese new-energy automakers such as BYD, Wuling, Great Wall, and Chery have actively expanded overseas, participating in local EV industry development and gradually building scale with increasing influence. Taking Thailand as an example, data shows that in 2025, electric vehicle sales surpassed 120,000 units, with over 80% of the market share held by Chinese brands. Additionally, according to the Thai Industrial Federation, in January 2026, sales of pure electric vehicles from Chinese brands exceeded 30,000 units—a year-on-year increase of 354%. That month, Chinese brands collectively captured 47.34% of the Thai market share. Furthermore, under the "regional value accumulation" rules of origin, Chinese new-energy automakers can adopt a supply chain strategy combining local assembly and regional exports, maximizing benefits from preferential measures under regional trade agreements.

Fourth, safeguarding private enterprise interests and creating opportunities for SMEs to go global. With the rapid development of the private sector, small and medium-sized enterprises (SMEs) have made significant contributions to economic growth, employment, industrial advancement, technological innovation, and service development. Their share in China's outward foreign direct investment (ODI) continues to rise, making them an indispensable force in Chinese companies' overseas expansion. Data indicates that from 2005 to 2023, the number of ODI projects by private enterprises increased from 150 to 1,039, while total investment rose from $4.14 billion to $109.35 billion—an average annual compound growth rate of approximately 20.0%, reflecting growing dynamism and strong development potential in private-sector overseas investments. In recognition of this, the China-ASEAN FTA 3.0 includes a dedicated chapter on SMEs, aiming to promote information sharing and collaboration to help SMEs leverage e-commerce, enhance their awareness, understanding, and effective use of intellectual property rights, and fully benefit from emerging opportunities created by the agreement. It also supports SMEs in digital transformation, provides financing information

at various stages of growth, strengthens their capabilities in specialization, refinement, uniqueness, and innovation, and improves productivity, competitiveness, and sustainability. These provisions not only address key challenges facing SMEs during initial overseas expansion but also create long-term opportunities for deeper market penetration.

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主要經濟指標 (Key Economic Indicators)

一、本地生產總值 GDP	2023	2024	2025	2026/Q2
總量 (億港元) GDP(HKD 100million)	29,812	31,865	33,298	8,424
同比增長率 (%) YoY change(%)	3.2	2.6	3.6	4.3
二、對外商品貿易 External merchandize trade			**2026/6**	**2026/1-6**
外貿總值 (億港元) Total trade(HKD 100million)				
總出口 Total exports	45,317	41,774	6,411	34,160
總進口 Total imports	49,275	46,450	6,930	37,107
貿易差額 Trade balance	-3,958	-4,676	-520	-2,946
年增長率 (%) YoY Growth(%)				
總出口 Total exports	-8.6	-7.8	53.4	39.1
總進口 Total imports	-7.2	-5.7	45.4	40.6
三、消費物價 Consumer Price				
綜合消費物價升幅 (%) Change in Composite CPI(%)	1.9	2.1	2.0	1.7
四、零售市場 Retail market				
零售額同比升幅 (%) Change in value of total sales YoY(%)	-0.9	16.2	4.6	9.6
五、訪港遊客 Visitors				
總人數 (萬人次) Total arrivals(10 thousands)	60.5	3,400.0	372.3	2,671.2
年升幅 (%) YoY change(%)	561.5	5,523.8	6.9	13.0
六、勞動就業 Employment			**2026/4-2026/6**	**2026/5-2026/7**
失業人數 (萬人) No. of unemployed(10 thousands)	16.3	11.3	14.0	14.6
失業率 (%) Unemployment rate(%)	4.3	2.9	3.7	3.7
就業不足率 (%) Underemployment rate(%)	2.3	1.1	1.6	1.7
七、住宅買賣 Domestic property sales and price index			**2026/5**	**2026/6**
合約宗數 (宗) No. of agreements	45,050	43,002	7,138	7,650
住宅售價指數 (1999=100) Domestic price index	369.7	337.4	322.2	323.2
八、金融市場 Financial market			**2026/6**	**2026/7**
港幣匯價 (US$100=HK$) 期末值	780.8	781.1	784.4	784.2
HKD exchange rate (US$100 = HK$), end of period				
銀行體系收市總結餘 (億港元) 期末值	962.5	449.5	539.8	541.1
Closing aggregate balance(HKD 100million), end of period				
銀行總存款升幅 (%)	1.7	5.1	4.9	-
Change in total deposits(%)				
銀行總貸款升幅 (%)	-3.0	-3.6	6.4	-
Change in total loans & advances(%)				
最優惠貸款利率 (%) 期末值	5.6250	5.8750	5.0000	5.0000
Best lending rate (%), end of period				
恒生指數 Hang Seng Index	19,781	17,047	22,881	25,884