



## Cambodia should embrace AANZFTA Upgrade: Unlocking Prosperity Across ASEAN, Australia, and New Zealand

On 21 April 2025, the Second Protocol upgrading the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) agreement came into effect, directly advancing the economic integration efforts among ASEAN, Australia, and New Zealand. This landmark agreement enhances business opportunities in a free trade zone that spans over 703 million people, with a combined GDP exceeding US\$5.6 trillion. For Cambodia, this presents a chance to diversify its export markets, amplify its economic ambitions and strengthen its role in ASEAN's growth story.

### Building Cambodia's Economic Bridge

Since the original AANZFTA came into force in 2010, Cambodia's trade relations with Australia and New Zealand have flourished. In 2023 alone, ASEAN's total trade in goods with these partners reached US\$138.4 billion—a testament to the region's thriving economic collaboration. As a key contributor to ASEAN's economic growth, Cambodia can now capitalize on the upgraded agreement to enhance its export-oriented industries such as textiles, agriculture, and manufacturing.

**Example:** Cambodia's garment industry, which accounts for approximately 80% of its export revenue, could benefit significantly from streamlined rules of origin under the upgraded pact. These simplified procedures would make it easier for Cambodian manufacturers to export finished products to Australia and New Zealand while enjoying preferential tariffs.

### Strengthening Supply Chain Resilience

The upgraded AANZFTA introduces measures to streamline trade facilitation measures during times of crisis, expediting the movement, release, and clearance of essential goods. This is particularly valuable for Cambodia, whose export-oriented economy relies on smooth supply chain operations.

**Example:** During the COVID-19 pandemic, disruptions to global supply chains impacted Cambodia's agricultural exports, particularly rice. The new provisions aim to mitigate such risks, ensuring Cambodian rice farmers and exporters can maintain access to critical markets even in turbulent times.





### Empowering Cambodian MSMEs

Micro, small, and medium-sized enterprises (MSMEs) form the backbone of Cambodia's economy, contributing around 58% of GDP and employing over 70% of the workforce. The upgraded agreement includes a dedicated chapter that supports MSMEs through collaboration among governments and streamlined trade regulations. It aims to create a more supportive and enabling environment for MSMEs, helping them to thrive and contribute to the country's economic growth.

**Example:** *A Cambodian artisan producing handmade crafts for export to Australia can now benefit from simplified export procedures and enhanced digital trade standards. These improvements reduce costs and time, making it easier for small businesses to thrive in international markets.*

### Advancing Digital Connectivity

The pact prioritizes the alignment of digital trade standards, including e-invoicing and digital infrastructure development, which enhances efficiency and transparency. This is a game-changer for Cambodia, where digital infrastructure is rapidly expanding.

Both Australia and New Zealand are global leaders in precision agriculture, a method that leverages technology to optimize farming efficiency. Cambodian rice farmers could benefit immensely from these techniques, such as GPS-guided equipment, soil sensors, and satellite imagery. For example, through technical exchange programs, Australian experts could assist Cambodian farmers in implementing water-saving irrigation practices, ensuring crops are resilient even during dry seasons.

**Example:** *Cambodian tech startups, particularly those in fintech and e-commerce, can leverage the new digital trade provisions to access broader markets in Australia and New Zealand. This supports the government's vision for digital transformation under its "Digital Economy and Society Policy Framework 2021-2035."*

### **Promoting Sustainability and Green Economy**

Environmental collaboration is another key aspect of the upgraded AANZFTA, fostering opportunities in the green economy. Cambodia, with its abundant natural resources and commitment to sustainable development, stands to gain significantly.

Both Australia and New Zealand have a wealth of experience in developing crops that thrive in challenging climates. Cambodian researchers and agricultural development agencies could collaborate with Australian agronomists to introduce drought-resistant rice varieties. This would help Cambodian farmers maintain productivity amid climate challenges, safeguarding food security and export potential.

New Zealand is celebrated for its efficient farm-to-market supply chains and sustainable agri-business models. Cambodian agricultural enterprises could learn how to build robust value chains, reduce post-harvest losses, and access international markets more effectively. For example, New Zealand's experience in dairy exports could inspire Cambodia to streamline its own logistics for rice distribution.

### **The Road Ahead**

Cambodia should view the upgraded AANZFTA as a beacon of opportunity amid current global trade uncertainties. With improved dispute settlement processes, enhanced consumer protections, and new sourcing options for businesses, the agreement ensures Cambodian enterprises can navigate disruptions and find new avenues for growth.

The timing of this agreement is ideal for Cambodia and ASEAN as a whole. While some global powers lean towards protectionism, the AANZFTA reaffirms Cambodia's commitment to open, inclusive, and rules-based trade, solidifying its role as a vital link in the region's economic network.

*The information provided here is for information purposes only and is not intended to constitute legal advice. Legal advice should be obtained from qualified legal counsel for all specific situation.*

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