Asialink Business Submission

Modernisation of Southeast Asia Free Trade Agreements (FTAs)

28 April 2025

Introduction

Southeast Asia remains a vital region for Australian trade and investment. The region is home to over 677 million people,[1] many of whom belong to rapidly growing middle classes that are driving demand for goods, services, and investment. Australia's economic future is intrinsically linked to the prosperity of Southeast Asia, and our network of Free Trade Agreements (FTAs) lays an important foundation for strengthening economic ties and opening up new markets.

While these FTAs have resulted in substantial economic benefits for Australian businesses, they need to evolve to stay relevant in today's fast-changing business landscape. Modernising these agreements will not only help remove remaining barriers to trade but also enable Australian businesses to better navigate the complex and competitive markets in Southeast Asia. As global trade dynamics shift, it's essential to renegotiate existing agreements or develop new ones to address the digital economy, e-commerce, sustainability, and other trade barriers and opportunities as they emerge.

However, signing FTAs alone is not sufficient to drive commercial engagement. A focus on raising awareness, improving access, and simplifying processes is essential for turning trade policy into commercial success. This submission aims to highlight the current challenges in utilising FTAs and offers practical recommendations for increasing Australian businesses' engagement with these agreements.

Challenges in Utilisation of FTAs

Despite the clear benefits of FTAs, Australian businesses face significant barriers in accessing and utilising these agreements. Our experience working with Australian businesses suggests that understanding and accessing FTAs remains too complex and burdensome. This is particularly pronounced for smaller businesses, First Nations businesses, and businesses in rural and regional areas that often do not have access to the support programs, outreach activities, and tools that could help them take full advantage of the preferential trade access available under these agreements.

Findings from the Joint Standing Committee on Trade and Investment Growth Inquiry revealed that many businesses remain unaware of the benefits FTAs can provide and lack the capacity to access them.[2] While industries that have historically been well-engaged in trade—such as agriculture and mining—are relatively familiar with FTA provisions, the uptake remains low across other sectors,

---

[1] Council on Foreign Relations. (2025). *What is ASEAN?* https://www.cfr.org/backgrounder/what-asean#:~:text=As%20of%202023%2C%20ASEAN%20countries,(GDP)%20of%20%243.8%20trillion.

[2]Joint Standing Committee on Trade and Investment Growth. (2025). *Final report: Inquiry into th*e understanding and utilisation of benefits under free trade agreements.
https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Joint_Standing_Committee_on_Trade_and_Investment_Growth/Utilising_FTAs/Report

particularly among SMEs. The inquiry pointed out that there is a significant gap in awareness and a need for capacity-building programs to bridge this divide.

Asialink Business has been leading a long-term Australia-Indonesia Business Study on behalf of IA-CEPA Katalis since 2022 to understand the experiences of businesses trading with Indonesia. Over the past three years, we have surveyed over 100 Australian and Indonesian businesses. Some of the key insights from this study relate to IA-CEPA use and uptake, and underscore the challenges Australian businesses face around FTA utilisation. In 2024:

- Only 33% of surveyed Australian businesses reported that they fully or mostly understood the IA-CEPA provisions that apply to their business, and only 20% said they were able to fully or mostly utilise the provisions.
- Almost half of surveyed Australian businesses reported that they had not utilised IA-CEPA provisions at all. This finding was more pronounced among micro, small and medium businesses, the majority of which reported limited or no use of IA-CEPA provisions.
- Australian businesses that reported limited or no understanding of IA-CEPA provisions perceived the business environment in Indonesia to be more difficult than those with a stronger understanding of the agreement

These findings demonstrate a lack of awareness, understanding, and uptake, despite the agreement's potential to unlock significant benefits. Many businesses in our study expressed a need for more targeted government support to understand IA-CEPA and its provisions, particularly in areas where the agreement offers advantages over local regulations.

Emerging Trends in Trade

Australia will need to modernise its FTAS to remain competitive in Southeast Asia's evolving economic and trade landscape. Rapid advancements in the digital economy and growing attention on green economy initiatives are just two of the factors influencing trade and investment flows in the region.

1. **Green Economy and Sustainability:** As Southeast Asia embraces green technologies and sustainability, Australia has an opportunity to leverage its expertise in clean technologies, renewable energy, and sustainable agriculture. FTAs should be updated to reflect the growing demand for environmental standards, carbon reductions, and green products. This will enable Australian businesses to stay competitive in industries like renewable energy, carbon trading, and sustainable farming. Our collaboration with ClimateWorks through the Australia–Vietnam Green Economy Program (AVGEP) underscored the importance of government–business partnerships in scaling green innovation. The program focused on building capability in green finance and policy alignment — areas that could inform how FTAs are modernised to support the transition to a low-emissions economy.

2. **Digital Economy and E-Commerce:** Southeast Asia is rapidly becoming a digital-first economy, with significant growth in e-commerce, digital trade, and fintech. Based on original Asialink Business research developed in partnership with the Tech Council of Australia, the number and value of Australian investments into Southeast Asia's tech sector have risen steadily over the last decade. However, the overwhelming majority of Australian tech investment into Asia is concentrated in Singapore, which attracts 91% of all Australian investment into Southeast Asia. While Southeast Asia is increasingly recognised as an

attractive tech investment destination, Australian businesses are not yet realising the full potential of the region.[3] FTAs need to address these developments by creating clear rules for digital trade, investment, data flows and intellectual property protection. This will create a more predictable operating environment to enable Australian businesses to tap into the rapidly expanding digital markets in Southeast Asia.

These emerging issues must be reflected in Australia's FTA modernisation agenda to ensure Australian businesses are well-positioned to capitalise on the opportunities these sectors create. It is crucial that trade agreements are flexible and adaptable to the fast-changing global economic environment.

Recommendations

1. **Deliver practical support to increase FTA utilisation**

To fully capitalise on the opportunities created by Southeast Asia FTAs, it is essential that Australian businesses—particularly SMEs, First Nations businesses, and those in regional and remote areas—are better supported in accessing FTA benefits. While roadshows and outreach activities are helpful, these activities typically occur when a free trade agreement first comes into force and tend to engage businesses that are either already exporting or actively considering it at that specific time.

It is not enough to raise awareness of FTAs; businesses need detailed, industry-specific support to understand and access the provisions relevant to their sector. We recommend allocating resources to develop in-depth capability development programs that go beyond FTA awareness and focus on practical implementation:

a) Provide sector-specific guidance, tools and training opportunities to help businesses leverage FTAs to access Southeast Asian markets.
b) Foster partnerships with industry bodies and academic institutions to provide targeted training programs that develop cultural capability and market understanding for businesses seeking to expand into Southeast Asia.
c) Expand direct engagement with SMEs on the benefits and use cases for Southeast Asian FTAs through micro-credential courses, local export hubs, and tailored workshops.

2. **Address Emerging Trade Issues**

Australia's FTAs should be updated to reflect the growing importance of the green economy and digital transformation across Southeast Asia. Specific actions include:

a) Incorporate provisions for green technologies, sustainable agriculture, and renewable energy in FTAs, facilitating Australian exports in these areas.
b) Enhance digital trade provisions, particularly around cross-border data flows and digital services, to ensure Australian tech businesses thrive in Southeast Asia's growing digital economy.

[3] Asialink Business and Tech Council of Australia. (2024). *Building the Australia- Asia Tech Corridor.* https://asialink.unimelb.edu.au/business/publication/building-aust-asia-tech-corridor/

Conclusion

To ensure that Australia's FTAs continue to deliver benefits for businesses across the country, it is essential that they evolve in response to changing economic conditions and emerging trade issues. Modernising these agreements requires not only updating the provisions themselves but also improving the accessibility and utilisation of FTAs by Australian businesses. This can be achieved through targeted outreach and increased capacity building.

We look forward to working with DFAT and other stakeholders to ensure that Australia's network of FTAs in Southeast Asia remains a key enabler of trade and investment success for Australian businesses.

About us

Asialink Business is part of the Asialink Group, hosted by the University of Melbourne and supported by the Department of Industry, Science & Resources (DISR). As the National Centre for Asia Capability, Asialink Business addresses a market gap by delivering unique Asia capability solutions for the Australian workforce at a scale beyond any other organisation. Our business-focussed capability development programs, research and advisory services and events assist organisations to develop essential knowledge of Asian markets, business environments, cultures and political landscapes to engage more effectively with Asia.

If you would like to discuss this submission in more detail, please contact Asialink Business at contact@asialinkbusiness.com.au.