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Dear FTA Modernisation Team

### **Southeast Asia Free Trade Agreements (FTAs) Modernisation Review**

Thank you for the opportunity to provide a submission on the Southeast Asia Free Trade Agreements (FTAs) Modernisation Review following the announcement from the Department of Foreign Affairs and Trade (DFAT) on 30 September 2025.

Queensland Cane Growers Organisation Ltd (CANEGROWERS) is a not-for-profit public company with the sole purpose of promoting and protecting the interests of sugarcane growers since its inception in 1925.

CANEGROWERS is the peak body for the sugarcane industry. Our affiliations at the State, National and International level combined with 13 district offices in Queensland ensures that services and advocacy are provided in local communities as well as at the highest levels of industry and government decision-making.

CANEGROWERS strongly supports sugar's inclusion in all trade agreements. Maintaining and improving the terms of trade for Australian sugar depends on ensuring sugar is included in all trade agreements; our ability to defend existing market access; and ensuring third countries are held accountable to their international commitments.

#### *Summary*

Having access to a range of commercially valuable export destinations is vital for the Australian sugar industry. South East (SE) Asia is home to a number of major and growing sugar importing countries, which Australia is geographically well located to supply.

Modernising Australia's SE Asian FTAs offers valuable opportunities for Australia's sugar industry in Indonesia, Vietnam and The Philippines. In Indonesia, a further bilateral raw sugar tariff reduction would deliver immediate opportunities and could return a share of up to \$70m annually to Australia. In Vietnam, an increase to our duty-free quota for raw sugar could add up to \$3m annually to Australian exporters' returns in the near term and more in the longer term, with a possibility of substantially more value available from securing a reduction in Australia's out-of-quota tariff rate. In the Philippines, a tariff reduction to match or exceed our competitors' access could open up opportunities in what could be a lucrative new market in the long term.

The most valuable FTAs for the Australian sugar industry are those that give the Australian industry access to key markets on superior terms compared to our competitors – in particular Brazil and India and Thailand. Achieving this would be the best outcome for the Australian sugar industry. As a minimum, DFAT should be seeking achieve access equal to our key competitors to allow us to compete on an even footing.

#### *The SE Asian Sugar Market*



Countries in Southeast Asia have a diverse mix of sugar balances. Indonesia is the world's second largest sugar importer. In contrast, in most years, Thailand is the world's second largest exporter. Malaysia is a consistent importer of 1.5 to 2Mt each year. The Philippines and Vietnam are transitioning from countries with structural sugar production surpluses to being in structural deficit.

Until 2018/19, the region produced small surpluses in most years. Since then, the South-East Asia has been a net deficit region. This deficit is forecast to continue. Because Thailand exports a significant quantity of sugar outside the region, mostly to East and Northeast Asian countries, there are significant inflows to the region to meet consumption needs. Import demand tends to favour raw sugar, supplying coastal sugar refineries. Traditionally this demand has been met with sugar from Australia and Brazil supplemented with Guatemalan sugar. In the four years 2019 to 2022, with the support of significant sugarcane and sugar price supports (which a World Trade Organization (WTO) Panel found to be inconsistent with its commitments), India emerged as a major sugar export competitor in the region. India's sugar policies and sugarcane support structures will be key to its ongoing disruption of sugar supply patterns in the region.

Countries choose to import sugar from specific origins for a variety of reasons. Commercial and technical considerations include vessel size limitations, availability of product, reliability of supply, counterparty risk and sugar quality. As a longstanding reliable supplier, Australia rates highly on each of these criteria.

Government policy settings such as tariff preferences, quota restrictions and import licencing arrangements are also important considerations. An important challenge for the Australian government and industry working together is to ensure that Australia can compete on equal or better footing than its principal competitors in the region, Thailand and India, as well as the world's largest sugar exporter Brazil which also exports large quantities into SE Asia every year. This means securing preferential access to markets for Australian sugar and ensuring countries comply with their international trade commitments.

### *SE Asia's Place in Australia's Trade Landscape*

With around 85% of raw sugar production exported, the Australia sugar industry is export oriented. Necessarily, export opportunities only exist to countries that have (or are likely to build) refining capacity, ideally at the portside, to refine raw sugar. This is often governed by economies of scale, since countries with only a small or highly variable sugar import demand are unlikely to import sufficient quantities of raw sugar over the year to make a refining business viable, and will instead be more likely to import refined sugar which has a much higher transport cost and favours more local suppliers.

Australia's sugar exports are heavily concentrated. In recent years, 90% of exports have been sold to just three markets – Indonesia, South Korea and Japan. In each of these markets business is conducted with strong and stable counterparties. Nonetheless, this high degree of market concentration brings with it risks. In 2023, with the support of funding made available to through the Australian Government's Department of Agriculture, Fisheries and Forestry (DAFF) Agricultural Trade and Market Access (ATMAC) program, CANEGROWERS commissioned a study to understand the opportunities for sugar exports to potential new markets, including those in Southeast Asia.

Australia is well located to supply the SE Asian sugar markets. A geographic freight advantage and the fact that these markets as a whole are and will remain large deficit markets, mean these markets have the potential to be Australia's highest returning raw sugar export destinations. It is therefore important that DFAT continues to ensure our vital trade agreements with these countries remain fit-for-purpose and deliver maximum added value to Australian industry. In that vein, we welcome this



modernisation review and look forward to taking advantage of the new commercial opportunities it could open up.

Australia has a complex web of overlapping trade agreements with SE Asian nations. Those that are particularly relevant for Australia's sugar trade are summarised below.

	Typical sugar imports	Raw sugar MFN tariff	Bilateral FTA/EPA	CPTPP	RCEP	AANZFTA
<b>Indonesia</b>	5-6Mt, rising	550rp/kg  5% for ASEAN countries	5%	-	40%	MFN*  <i>*Reduced to 5% by Indonesian regulations as part of bilateral deal</i>
<b>Malaysia</b>	2Mt+	0%	0%	0%	0%	0%
<b>Vietnam</b>	0.5-1Mt+	25% (in quota) / 80% (OOQ)  5% for ASEAN countries. C.48% anti-dumping duty on Thailand.  Quota c.132Kt in 2025 (rising 5% annually)	-	6.8% in 2025, reducing on a linear basis to 0% by 2028 (in quota) / MFN (OOQ)	MFN	0% (in quota) / 50% (OOQ)
<b>Philippines</b>	0.5Mt, rising	65% (5% for ASEAN)	-	-	MFN	MFN

### *The role of Diversity in Trade*

Australian sugar exporters will always target the most commercially lucrative markets open to them, which most years entails making the most of opportunities to export sugar to the USA and Japan, for example. However, this does not mean the industry could not in principle access greater opportunities from modernisation of Australia's other free trade agreements. Even aside from the inherent opportunities for additional premium value in various markets which are detailed below, increasing diversity in potential premium export destinations adds value in itself, even if not all opportunities are taken by the industry every year.

### **Protects our export earnings from exposure to shocks in a single market:**

The opportunity Australia has in any individual premium market varies each year and can be significantly impacted by events such as high yields in the domestic crop or impacts to local demand. In Japan, for example, Australia supplied 89% of all raw sugar imports over the past five years. This means our industry will be directly impacted by fluctuations in Japanese sugar production or demand from year to year, since the domestic sector will sell its production into the market regardless. Having a range of alternative premium markets available cushions the impact of changes in Japanese import demand on the Australian industry's export returns.



## **Provides outlets for sugar in the event of large Australian crops:**

As with any agricultural product, Australian sugar production varies annually based on weather conditions and crop performance. It is essential for the industry to have outlets available in the event of a large crop without being forced to sell sugar onto the open world market where prices are often distorted by subsidies, speculators and protective practices in both importing and exporting countries.

## **Ensures Australia receives the full value of sustainability credentials:**

Australia is able to supply sugar produced to the highest environmental and sustainability standards, as evidenced by the alignment of Smartcane BMP, our industry leading certification scheme, with three major international sugar sustainability standards. Having a diversity of commercially viable export origins available to Australian sugar producers ensures competition between buyers around the world for our certified sustainably produced sugar. This helps Australian exporters to obtain the full value of our sugar in all premium markets..

## **Protects the industry in case of future barriers to trade being introduced in a key markets:**

While no immediate threat exists it is prudent to have a diverse range of viable and remunerative export opportunities available to the industry should any unexpected barrier emerge. This is also the case if a change were made in those countries' trade arrangements with other sugar exporters which undermines Australia's relative competitiveness into that market.

### *Opportunities for Trade in Southeast Asia and Areas for Improvement*

#### Indonesia – Opportunity to achieve superior trading terms over other major exporters through an upgrade to IA-CEPA

Indonesia is consistently the world's second-largest importer of sugar. The sugar market is regulated by government and segregated between sugar for food and drink manufacturing and sugar for retail sale. Raw sugar for refining is only permitted to be imported by companies selling into the manufacturing sector, preserving the premium retail sugar market for domestic producers to ensure returns for Indonesian cane growers. Sugar can only be imported for retail sale if there is a shortfall in supply after all local sugar has been sold, and such imports are managed by the government through licenses. Therefore, as imported raw sugar is competing into a segregated market, any changes to raw sugar import tariffs or terms should not affect the returns of Indonesian producers, simply the relative attractiveness of different origins to Indonesian refiners.

Australia has secured a preferential 5% tariff rate on raw sugar, on a par with major regional competitors Thailand (through ASEAN) and India (through a bilateral agreement). Brazil does not enjoy a reduction from the 550rp/kg MFN tariff (equivalent to c.6-7% in calendar year 2024, but nearer to 12% in 2015 for example).

Nonetheless, according to the USDA, in recent years Brazil has been the largest single supplier to Indonesia (c.2.4Mt) despite receiving no tariff preference. The reduced tariff currently enjoyed by Australia (and Thailand & India), while encouraging imports to come from these origins, is not so large a reduction from the MFN tariff as to substantially impact importers' decisions when sugar prices are elevated. Based on the average CIF price of sugar imported from Australia in 2024, the 5% ad valorem tariff open to Australian sugar represented only a c.100rp/kg (<AU\$10/t) discount in comparison to the specific 550rp/kg MFN tariff. However, this concession is of greater value when world sugar prices are lower.

This means there is an opportunity to add further value to our industry, if a deeper tariff preference can be secured through Australia's bilateral IA-CEPA schedule, or through a concession offered



specifically to Australia within RCEP or AANZFTA. This is likely to encourage further trade as Australia would be well placed to compete against Brazilian and Thai sugar and secure greater market share.

In 2024, we estimate Indonesian refiners paid an estimated c.AU\$30m in tariffs on Australian raw sugar at the reduced 5% rate through IA-CEPA – value that the Australian industry could otherwise have accessed. In recent years Australia has exported up to c.1.5Mt to Indonesia, a volume that equates to importers paying up c.AU\$70m in tariffs on Australian sugar, depending on sugar prices. If a further tariff reduction or elimination were secured, the Australian sugar industry could share in some or all of this value currently being lost to tariff costs in the supply chain.

**Vietnam – Opportunity to reduce out-of-quota tariffs on Australian sugar or expand preferential raw sugar access in quota.**

Vietnam's sugar production has dropped sharply since 2017. This reflects labour shortages, rising wages, difficulties associated with mechanising small farm holdings and urbanisation pressures. In contrast consumption continues to increase. The shortfall in domestic supply, over 0.5Mt annually, is filled by imports. In 2019, the combination of a severe drought and the implementation of a preferential 5% tariff on imports from ASEAN members resulted in a sharp increase of imports from Thailand. The Vietnamese government responded in 2021 by imposing antidumping duties of 42.99% and an anti-subsidy tax of 4.65% on sugar products originating from Thailand for five years starting 16 June 2021. This was extended in 2022 to sugar imports from other nearby ASEAN members (Cambodia, Indonesia, Laos, Malaysia, and Myanmar), unless the exporter can prove the origin to not be from Thailand, to avoid re-export of Thai sugar to circumvent the measures. Aside from the measures above, sugar can enter Vietnam from ASEAN countries at 5% duty. In June 2025, the Vietnamese government initiated a review of these antidumping measures, set to expire in 2026, to determine whether to renew them.

Vietnam manages its sugar imports through a licensing system, with the license an importer holds determining the tariff treatment of the sugar brought in. Vietnam's WTO tariff schedule includes a combined quota for white and raw sugar which can be imported at reduced duty, for which Vietnam issues WTO quota licenses through public auction. Otherwise, an importer must use an AIL license, which means the sugar will be treated as out of quota tonnage.

Since the WTO license cost must be built into an importer's cost calculation relative to importing out-of-quota sugar, the substantial cost of obtaining these (which can be c.US\$90/t or more) that results from this system undermines the value of the trade preference for the supplier. Furthermore, the need to obtain a license in advance means that the quota can remain unfilled even if an importer requires sugar and were to bring it in from a source with an in-quota preference. The WTO quota is approximately 132Kt for 2025, rising 5% each year. All commercially meaningful tariff reductions from which Australian sugar benefits currently relate only to in-quota volumes, whereas ASEAN countries, through ATIGA, also benefit from substantial tariff reductions on out-of-quota sugar.

Under AANZFTA, Vietnam has removed raw sugar duties within its WTO quota for Australia (and ASEAN countries) since 2020. We understand this sugar earns a typical premium of AU\$8-\$17/t compared to the next best export destination, meaning this access is currently worth c.\$1-\$2.2m per year to the Australian sugar industry. The out-of-quota tariff secured through AANZFTA remains prohibitively high at 50%.

As part of its CPTPP commitments Vietnam commenced reductions in the 25% tariff applied to its WTO in-quota volume for CPTPP members' sugar from entry-into-force. The current CPTPP in-quota tariff is 6.8% for raw sugar and 10.9% for white sugar. Annual reductions will continue until the in-



quota tariff is eliminated for CPTPP members on 1 January 2028. Therefore, it does not improve upon the access that had already been achieved through AANZFTA.

Given the current antidumping measures against Thai sugar, Australia currently has a tariff advantage over other major sugar exporters for in-quota raw sugar entering Vietnam. However, Vietnam imports more sugar than its WTO sugar quota covers, and the lower duties paid by ASEAN members on white sugar continue to disadvantage Australian raw sugar entering Vietnam. In recent years Vietnam has imported substantially more white than raw sugar.

There is currently only one dedicated refinery in Vietnam, with the remainder of raw sugar refining carried out at refineries attached to domestic mills during the off-season. This means the opportunity to expand Australian sugar access into Vietnam would be limited by refining capacity in the short to medium term, estimated at a little under 300Kt based on recent years' import volumes. Nonetheless, this is a meaningfully larger potential market than the current quota volume provides access to.

Expanded duty-free access on the same terms as the WTO quota could deliver an additional \$1-3m to the Australian sugar industry assuming a consistent premium over alternative destinations. However, given Vietnam's means of managing importers' access to the WTO quota, and the cost to importers of obtaining licenses, a tariff concession on out-of-quota sugar at least as favourable as that in ATIGA could offer significantly more value to our industry than an expanded quota would.

This could be achieved through review of any of the three multilateral agreements between Australia and Vietnam. However, CPTPP is the only one of those that does not also include Thailand, the primary regional competitor into the Vietnamese market, making it a preferable route for any such change. Alternatively, any potential new bilateral FTA between Australia and Vietnam could be a vehicle for expanding tariff-free access for Australian raw sugar to this growing market opportunity.

The expanding WTO quota volume ensures a steady increase in preferential Australian access to Vietnam in any event. However, Australia must be vigilant to ensure this, and any other tariff reductions agreed, are not undermined by the imposition of trade remedies against Australia, as has happened with Thai sugar.

#### Philippines – Opportunity to reduce tariff on Australian raw sugar to be competitive with ASEAN members

The Philippines was once a consistent sugar exporter, shipping most of its surplus to the high-priced US market. Since 2010, cane area has fallen steadily, sugar production has fallen short of consumption and The Philippines relies on imports to meet its supply deficit. The Philippines imposes an MFN duty of 65% on sugar imports. As a member of ASEAN, in 2015 it offered a preferential tariff of 5% to fellow ASEAN members. To protect its domestic sugar industry, the flow of imports is managed through an import licencing system.

Although most of the imports currently are white sugar, some imported raw sugar has been refined in recent years in refineries annexed to cane mills. The Philippines' sugar import needs are expected to gradually rise, making this a longer-term opportunity which modernised trade arrangements could prepare us for. Australia would only be in a position to supply this potentially attractive market if it has comparable preferential access with ASEAN members. Possible avenues for this to occur would be through bilateral discussions and implementation through amendment to The Philippine's AANZFTA or RCEP tariff schedules, or via a potential new bilateral FTA between Australia and the Philippines.



## Other SE Asian countries – limited opportunities for raw sugar from modernisation of FTAs

Malaysia is one of the world's largest and most consistent importers of raw sugar. Without a domestic production base, Malaysia's reliance on imports to meet its consumption requirements will continue. Malaysia does not impose import duties on raw sugar. Therefore, it is not possible for Australia to gain preferential access to the market. Australia has comparable access to Malaysia as other major sugar exporters, and any trade will be driven by commercial considerations.

None of the remaining SE Asian countries covered in this review are notable importers of raw sugar.

## *Ensuring the Green Economy and Sustainable Agriculture are better Reflected in our Network of FTAs*

Australia is a world leader in producing certified sustainable sugar, with all major global sugar certification schemes recognising the assurance provided by our industry led farm-level certification scheme Smartcane. In many markets demand for assured and certified sugar is led by buyers' needs and not stipulations in agreements. Nonetheless, the industry is well placed to meet buyers' existing requirements in this area.

## *Prioritisation of Interests for Future FTA Upgrades and Modernisation*

There is further significant opportunity for the Australian sugar industry in reviewing our trade agreements in East Asia, notably the China-Australia FTA (ChAFTA). Despite China consistently being one of the world's largest sugar importers, no market access gains for Australian raw sugar were made in ChAFTA. In 2020, China imposed unofficial restrictions, further limiting its coastal refineries' access to Australian sugar, on top of existing costly phytosanitary requirements in place since 2014. Australia has not supplied sugar to China since these unofficial sanctions were imposed. Although not imposed within ChAFTA, if through review and upgrade of that agreement DFAT could secure the removal of these requirements imposed on Australian sugar, it would reopen a market that has formerly imported up to 350,000t of Australian raw sugar per annum. Furthermore, any reduction offered to Australian sugar from China's substantial 50% tariff on sugar imports would deliver significant further value to Australia's sugar industry.

A smaller opportunity (by volume) also exists in Taiwan if Australia were to achieve preferential access to that market. It imports approximately 400,000t of raw sugar per year, and has been a market for Australian sugar in the past. Australia is well placed to service the market given its vessel size and market requirements but is subject to Taiwan's 6.25% MFN tariff on raw sugar. However, Australian sugar has not been exported to Taiwan in recent years, due partly to tariff free quotas available to various sugar exporting countries mainly in Central America.

We hope this information and industry perspectives add value to your considerations. Please do not hesitate to contact me on [dan\\_galligan@canegrowers.com.au](mailto:dan_galligan@canegrowers.com.au) if you require any further information in relation to this submission.

Yours Sincerely

Dan Galligan  
**Chief Executive Officer**