

# **Review of Australia's Free Trade Agreements in Southeast Asia**

04 September 2025

## **Introduction**

The Australian Dairy Industry Council (ADIC) welcomes the opportunity to provide this submission to the Department of Foreign Affairs and Trade to support its review of Australia's Free Trade Agreements (FTA) in Southeast Asia. It highlights the importance of these agreements for the Australian dairy industry and includes recommendations to enhance market access, address trade barriers, and support the ongoing growth and competitiveness of Australian dairy exports in the region.

This submission has been developed in consultation with Dairy Australia.

Dairy farming is the third largest Australian rural industry and a key sector of the agricultural economy, with a farmgate value of \$6.2 billion. Overall, the dairy industry generates \$18.5 billion in economic impact across products and value chains and employing a direct workforce of almost 31,300 across dairy farms and processing. Australia is a significant exporter of dairy products. In 2023/24, 32% of milk production was exported, worth around \$3.6 billion. It ranks fifth in terms of world dairy trade, with a five per cent market share behind New Zealand, the European Union (EU), the United Kingdom, and the United States (US).

ADIC is the peak national representative body of the Australian dairy industry, representing the interests of dairy farmers and processors through its two constituent bodies, Australian Dairy Farmers (ADF), and the Australian Dairy Products Federation (ADPF). It aims to create a more prosperous and sustainable future for the local industry and the regional communities that rely on it.

Dairy Australia is the national services body for dairy farmers and the industry. Its role is to help farmers adapt to a changing operating environment, and achieve a profitable, sustainable dairy industry. As the industry's Research and Development Corporation, it is the 'investment arm' of the industry, investing in projects that cannot be done efficiently by individual farmers or companies.

Existing FTAs with Southeast Asian countries provide valuable market access but also present challenges, such as non-compliance by partners, nuisance tariffs, and administrative burdens. The Australian dairy industry aims to highlight these issues and advocate for government action to maintain and improve Australia's competitiveness in Southeast Asia.

Recognising the importance of FTAs to the economic sustainability of the dairy industry, the sector seeks Government support for the following:

1. TAFTA compliance: Ensure Thailand upholds its TAFTA commitments, particularly on duty-free access and quota allocations for liquid milk and skim milk powder.
2. Nuisance tariff removal: Seek removal of remaining tariffs under existing FTAs, such as those on yoghurt and dairy spreads to the Philippines and liquid milk to Indonesia.
3. Certificate of Origin (COO) process reform: Pursue modernisation of COO processes in older FTAs, aligning with CPTPP's self-certification model to reduce red tape.

## **The importance of free trade to the Australian dairy industry**

The Australian dairy industry supports FTAs that deliver expanded market access outcomes for Australian exporters while balancing the needs and interests of domestic industries. FTAs play an important role in enhancing global competitiveness, diversifying markets, and building resilience against economic volatility, ultimately contributing to broader societal and economic gains. With a significant reliance on exports, the Australian dairy industry actively leverages the

opportunities provided by 18 existing FTAs to access global markets, providing significantly greater market opportunity than could be met by the domestic market alone.

### **Trade volumes and value of dairy to Southeast Asia**

The Southeast Asia region is a significant market for Australian dairy. In FY 2023-24, the total volume of trade to the region was 284,000 tonnes valued at \$1,150 million AUD.

By volume, Singapore is Australia’s largest dairy export market in the region. Australia ranks as number three in the share of Singapore’s dairy import volume and exported over 64,000 tonnes of dairy product worth almost \$196 million AUD in 2023-24.

However, Indonesia is Australia’s highest volume market in the region and Australia’s third largest dairy export market by value. Indonesia is the world’s second largest Skim Milk Powder (SMP) importer, behind China. Except for fresh pasteurised milk, dairy products consumed in Indonesia are mostly manufactured from a combination of local and imported ingredients, or often, only imported ingredients. In 2021, Indonesia’s milk equivalent deficit was estimated at 3.5 billion kilograms, however its per capita consumption of 15kg per person, is considered low by regional standards. It is projected that total dairy consumption will increase over time; however, this growth is unlikely to be met by local milk production. In FY 2023-24 Australian dairy exports to Indonesia was 56,700 tonnes, valued at almost \$256 million AUD. A large portion of Australian dairy exports are used as ingredients, bolstered by Australia’s strong reputation for food safety standards and quality.

Malaysia’s domestic dairy production covers around 60% of local demand and Malaysia is reliant on imported dairy products to meet growing population and rising consumption rates of dairy. Growing tourism and a strengthening economy are contributing to increasing dairy intake, particularly milk consumption in coffee shops in urban areas. In 2023-24, Australia exported over 51,500 tonnes of Australian dairy product, worth over \$227 million AUD to Malaysia.

### **Free trade agreements in Southeast Asia**

Australia’s network of FTAs in Southeast Asia is extensive, comprising both bilateral and regional agreements. The Australian dairy industry benefits from seven FTAs with Southeast Asia, as shown in the table below.

<b>Free-Trade Agreement</b>	<b>Southeast Asian parties</b>	<b>Date entered into by Australia</b>
Singapore-Australia Free-Trade Agreement (SAFTA)	Singapore	28 July 2003
Thailand-Australia Free-Trade Agreement (TAFTA)	Thailand	1 January 2005
ASEAN-Australia-New Zealand (AANZFTA)	ASEAN	1 January 2010
Malaysia-Australia Free-Trade Agreement (MAFTA)	Malaysia	1 January 2013
Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)	Singapore Malaysia Vietnam Brunei Darussalam	30 December 2018
Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)	Indonesia	5 July 2020
Regional Comprehensive economic Partnership Agreement (RCEP)	ASEAN	1 January 2022

The ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) was signed in 2009 and has eliminated many of the remaining tariffs on bilateral agreements that were already in force. The Malaysia-Australia Free Trade Agreement builds on the benefits from AANZFTA by liberalising licensing arrangements for liquid milk exporters and allowing access for higher value retail products. Trade between Singapore and Australia is fully liberalised under the Singapore-Australia Free Trade Agreement, ratified in 2003, AANZFTA and the Comprehensive and Progressive Trans-Pacific Partnership.

While the Thailand-Australia Free Trade Agreement (TAFTA), which entered into force in 2005, was intended to provide unrestricted duty-free access for liquid milk and SMP from January 2025, Thailand has not been adhering to its commitments under the agreement. Instead, 35% of the quota has been allocated for SMP, and the terms of the FTA are not being honoured. The Australian dairy industry appreciates the government's efforts to date on this issue but urges continued vigilance and further action to ensure that Thailand fully complies with its obligations under the agreement.

From a tariff perspective Australia maintains a competitive advantage in most Southeast Asian markets over the US and the EU, with a few exceptions. Both the US and EU have concluded FTAs with Singapore, and the EU has a free-trade agreement in place with Vietnam. These agreements have reduced Australia's relative advantage in those specific markets. Additionally, Australia and New Zealand share a common free-trade agreement within the region through AANZFTA, meaning Australia does not have a distinct advantage over New Zealand in Southeast Asia as both countries are equally covered.

While dairy trade to the region is mostly liberalised, there remain some nuisance tariffs, including 5% tariffs on yoghurt and dairy spreads to the Philippines under AANZFTA. In addition, tariffs on liquid whole and skim milk to Indonesia remain at 4% under AANZFTA and will only be eliminated by 2033 under the Indonesia-Australia Comprehensive Economic Partnership which entered into force in July 2020. The Australian dairy industry seeks assistance from Government to eliminate these nuisance tariffs, which could be through a further review of AANZFTA.

In addition to tariff issues, the certificate of origin (COO) requirements under many existing FTAs with Southeast Asia place an administrative burden on exporters. These agreements typically require COOs to be issued by a third party, such as the Australian Chamber of Commerce and Industry or Australian Industry Group, adding cost and complexity to the export process. By contrast, the CPTPP allows for exporter self-certification via a simple statement of origin, reducing red tape. A solution could be aligning COO processes under older FTAs with the more modern CPTPP model. Australia should explore options to pursue reforms through FTA reviews to streamline and modernise rules of origin administration.

## Conclusion

Southeast Asia is a strategically important market for the Australian dairy industry, offering substantial growth potential, diversification opportunities, and value creation avenues. Its proximity to Australia provides significant logistical advantages, reinforcing the importance of ensuring free trade agreements remain fit for purpose in the coming years. The Australian dairy industry looks forward to continued engagement with the government to ensure the ongoing success of Australia's dairy exports in the region.

Yours sincerely,



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Chair

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