

Prepared by DigitalTrade4.EU



Input on the Modernisation of Australia's Free Trade Agreements in Southeast Asia

Including SAFTA, MAFTA, TAFTA,
IA-CEPA, CPTPP, RCEP, and AANZFTA

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About Us

The **DigitalTrade4.EU consortium** envisions a **seamlessly interconnected Europe** and **neighbouring regions** powered by harmonized standards for the digitalisation of trade documents and processes. By fostering the digital transformation of trade, we aim to promote economic integration, enhance cooperation, and ensure long-term trade facilitation across borders.

Our consortium is made up of **experts in their field**, including **105 full partners**—trade associations, logistics providers, shipping lines, banks and insurances, technology innovators, etc.—**from 17 European Union countries** (*France, Belgium, Netherlands, Austria, Estonia, Finland, Italy, Latvia, Spain, Germany, Sweden, Poland, Luxembourg, Lithuania, Slovenia, Denmark, Bulgaria*) and **22 non-EU countries** (*United Kingdom, Switzerland, Montenegro, Japan, Singapore, Hong Kong, Australia, New Zealand, India, Nepal, Canada, United States of America, Cameroon, Morocco, Egypt, Kenya, Pakistan, Nigeria, Brazil, Uzbekistan, Turkey, Ukraine*).

Our consortium is already **aligned with the fundamentals** of the **EU Competitiveness Compass**. Learn more:

- How DigitalTrade4.EU Can Help Achieve the Objectives of the EU Competitiveness Compass (February 2025)

<https://www.digitaltrade4.eu/how-digitaltrade4-eu-can-help-achieve-the-objectives-of-the-eu-competitiveness-compass/>

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Executive Summary

This submission from the **DigitalTrade4.EU consortium** offers strategic recommendations for the **Australian Government's modernisation** of its **Free Trade Agreements (FTAs)** in **Southeast Asia**. It advocates for integrating a "**green-digital nexus**" — the **synergistic integration** of **digital technologies** (like AI, blockchain, IoT) and **sustainability practices** (such as carbon tracking, circular economy models) across trade ecosystems—to enhance Australia's **trade competitiveness**, deepen **regional partnerships**, and promote **sustainable economic growth**. This approach enables **data-driven environmental accountability**, supports **decarbonization efforts**, and enhances **supply chain resilience** through tools such as **Digital Product Passports (DPPs)**, **AI-driven analytics**, and **blockchain traceability**. As a nation deeply integrated into the Southeast Asian economy, Australia can leverage these **digital innovations** to overcome **geographical distances** and facilitate smoother, more **environmentally sustainable trade flows**.

Core principles for FTA modernisation:

1. **Advancing Digital Trade and Interoperability:** Incorporating **comprehensive digital trade chapters** and adopting global legal frameworks like the **UNCITRAL Model Law on Electronic Transferable Records (MLETR)** to ensure **legal certainty for electronic documents**.
2. **Integrating Sustainability and Digital Traceability:** Using tools like **Digital Product Passports (DPPs)** to enhance transparency, support **carbon accounting**, and promote a **circular economy** — aligned with global standards like UNECE Recommendation No. 49 ("Transparency at Scale")¹.

By proactively adopting such tools, Australian exporters gain a competitive edge. For instance, provisions similar to those in the **EU-Singapore Digital Trade Agreement** can secure access to green-conscious markets and insulate supply chains from future regulatory shifts.

¹ United Nations Economic and Social Council. Recommendation No. 49: Transparency at Scale – Fostering Sustainable Value Chains (March 2025)
<https://unece.org/sites/default/files/2025-05/ECE-TRADE-C-CEFACT-2025-03E.pdf>

3. **Empowering Micro, Small and Medium-sized Enterprises (MSMEs)**: Simplifying processes, reducing costs, and ensuring **inclusive digital trade rules**, including **streamlining customs procedures** and lowering transaction costs through **digital systems**.

Our focus on **empowering MSMEs** directly addresses the **digital divide** highlighted in the ADB's 2025 report, which identifies **regulatory gaps** and **limited capacity** as **significant barriers** for smaller businesses in Southeast Asia. Therefore, initiatives like a joint 'Australia-Cambodia SME Digital Exporter Program' are not just beneficial but essential for ensuring the gains from digital trade are **inclusive and widespread**.

4. **Building Trusted Digital Partnerships**: Encouraging investment in **secure digital corridors** and **interoperable platforms** to foster resilient digital supply chains.

A **two-pronged strategy** is proposed:

- **Bilateral agreements** (e.g., SAFTA, IA-CEPA, MAFTA, TAFTA) for tailored integration.
- **Regional platforms** (e.g., CPTPP, RCEP, AANZFTA) to scale standards and ensure **regulatory coherence**.

Key recommendations:

1. Prioritize **international digital standards** like **MLETR**.
2. Integrate **Environmental, Social, and Governance (ESG) criteria** into trade finance.
3. Embed **DPPs** to align with global trends like the **EU's Carbon Border Adjustment Mechanism (CBAM)**².
4. Ensure **platform interoperability** to support SMEs.

This approach aligns with Australia's **Digital Economy Strategy** and positions Australia as a **digital and sustainability leader** in the **Asia-Pacific**. The accompanying document "**Funding the Future: How EU Budget (MFF) Can Accelerate Green & Digital Trade Competitiveness**"³,

² European Commission Taxation and Customs Union. Carbon Border Adjustment Mechanism https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

³ https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14589-International-Digital-Strategy/F3552794_en

highlights opportunities for **strategic alignment** between Australia and the EU, including **potential avenues for co-investment or knowledge transfer relevant to Southeast Asian partnerships**.

Our recommendation to leverage the **Digital Economy Partnership Agreement (DEPA)**⁴ **framework** is substantiated by recent analysis from the **Asian Development Bank**. The ADB's 2025 report on Digital Economy Agreements⁵ highlights DEPA's **modular** and '**living agreement**' design as a key strength, offering a **flexible and inclusive pathway** for the diverse economies of Southeast Asia to modernise their digital trade rules without mandating a **one-size-fits-all approach**.

***Note:** In this document, the terms **Small and Medium-sized Enterprises (SMEs)** and **Micro, Small and Medium-sized Enterprises (MSMEs)** are used interchangeably and carry the same meaning and weight. This clarification is important because different sources and contexts may refer to these groups using either acronym, but both encompass the full range of smaller business categories critical for economic development.*

⁴ Digital Economy Partnership Agreement (DEPA)

<https://www.mti.gov.sg/Trade/Digital-Economy-Agreements/The-Digital-Economy-Partnership-Agreement>

⁵ Asian Development Bank (ADB). The Role and Future of Digital Economy Agreements in Developing Asia and the Pacific (May 2025)

<https://www.adb.org/publications/digital-economy-agreements-asia-pacific>

Introduction

DigitalTrade4.EU, a consortium focused on **harmonised digital standards**, provides input on modernising Australia's FTAs in Southeast Asia. Drawing from our work, including ***Strengthening EU Leadership in Green-Digital Trade***⁶ this submission emphasizes aligning with the **EU's Multiannual Financial Framework (MFF)** to advance **green-digital trade competitiveness**.

Crucially, the principles and recommendations outlined in this submission are **strategically aligned** with the ***ASEAN Economic Community (AEC) Strategic Plan 2026-2030***⁷. This ensures that **Australia's FTA modernisation efforts** can **directly support and accelerate** ASEAN's own vision for an economic community that is **sustainable, innovative, resilient, and people-centred**. By providing **practical, digitally-enabled solutions**, Australia can be a **key partner** in helping ASEAN achieve the economic components of the ***ASEAN Community Vision 2045***⁸.

The **AEC Strategic Plan 2026-2030** prioritizes **deepening digital integration, advancing sustainability, and enhancing supply chain resilience** as core pathways towards achieving the **ASEAN Vision 2045** goals of a **resilient, innovative, dynamic, and people-centred community**.

Australia's trade engagement with ASEAN should reflect and support ASEAN's strategic direction as outlined in the **ASEAN Community Vision 2045**. Notably, the **ASEAN Economic Community Strategic Plan 2026–2030** identifies the **digital economy, sustainability, and regional supply chain resilience** as key pillars. Australia's **FTAs** should thus be leveraged to facilitate ASEAN's own objectives by:

- **Implementing joint green-digital pilot programs** that combine **environmental sustainability initiatives** with **digital technologies**—such as using **blockchain** for

⁶ https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14589-International-Digital-Strategy/F3552794_en

⁷ Association of Southeast Asian Nations. ASEAN Economic Community Strategic Plan 2026–2030 (May 2025) <https://asean.org/asean-economic-community-strategic-plan-2026-2030/>

⁸ Association of Southeast Asian Nations. ASEAN Community Vision 2045 “Resilient, Innovative, Dynamic, and People-Centred ASEAN” (May 2025) <https://asean.org/asean-community-vision-2045-resilient-innovative-dynamic-and-people-centred-asean/>

transparent **carbon tracking** in supply chains or deploying **IoT sensors** to optimize **energy use** in manufacturing hubs;

- **Harmonising with ASEAN's digital identity frameworks** by aligning Australia's **digital trade policies** and systems with ASEAN's standards for **secure, privacy-respecting digital identities**, enabling smoother **cross-border e-commerce** and reducing **transaction costs**;
- **Co-developing interoperable trade infrastructure**, including shared platforms for **customs procedures, electronic certifications, and real-time supply chain monitoring tools**, to enhance **transparency**, reduce **delays**, and build regional **supply chain resilience**.

Australia's integration into Southeast Asia's economy benefits from leveraging **digital trade technologies** to address **geographic distance** and promote **sustainable trade flows**. By embedding **interoperability, transparency, and trust**, Australia can strengthen its role as a **trusted digital and sustainability partner** in the region.

Australia Digital Economy

Australia's **digital economy** is a critical pillar for enhancing **trade competitiveness** and **economic growth** by 2030. The Australian Government's **Digital Economy Strategy for Trade**⁹ outlines a clear vision to leverage **emerging technologies**, **data-driven innovation**, and robust **digital infrastructure** to transform how Australia engages in **international trade**. The following highlights key components of Australia's digital economy ambitions and their implications for **trade modernisation** and **partnership development**.

Strategic Priorities

1. **Digital Trade Enablement and Integration:** Australia aims to enable **seamless digital trade flows** by modernising trade regulations, adopting **interoperable digital platforms**, and removing barriers to **cross-border data exchange**. Priorities include establishing **legal frameworks** that support **electronic transactions**, **digital signatures**, and trustworthy **AI** in trade processes. This supports **faster customs clearance**, reduces **compliance costs**, and increases **transparency**.
2. **Digital Infrastructure and Connectivity:** Investment in **digital infrastructure** such as **high-speed broadband**, **secure cloud services**, and **edge computing** is a cornerstone of Australia's digital economy. Strategic partnerships across the **Indo-Pacific region** focus on creating **secure digital corridors** facilitating **data flows** and **e-commerce**, underpinning **resilient supply chains**.
3. **Innovation in Digital Technologies for Trade:** Australia is advancing the deployment of emerging technologies including **blockchain** for **supply chain traceability**, **Internet of Things (IoT)** for **real-time logistics monitoring**, and **advanced analytics** for **trade forecasting**. These innovations enable efficient management of **trade compliance**, **environmental impact reporting**, and **risk mitigation**.

⁹ ACITI. Digital Economy Strategy for Trade by 2030 (November 2024)
https://cdn.prod.website-files.com/5f1f9c5241c5c983b83b0216/67a33cc3020a63fbed914316_Achieving%20Australia%27s%20Digital%20Economy%20Strategy%20for%20Trade%20by%202030%20%20.pdf

4. **Skills Development and Empowerment of Small and Medium-sized Enterprises (SMEs):** Digital upskilling initiatives target SMEs to enhance their adoption of e-commerce platforms, digital payments, and export readiness tools. Tailored support programs and simplified digital trade regulations help SMEs to compete globally, fostering inclusive growth.
5. **Data Governance and Trust:** Australia emphasizes robust data protection, privacy standards, and cyber resilience to build trust in digital trade ecosystems. Alignment with international standards such as the APEC Cross-Border Privacy Rules (CBPR) and harmonization with partners on cybersecurity policies are essential to support secure trade environments.

Implications for Trade Modernisation

Australia's digital economy vision provides a strong foundation for modernising Free Trade Agreements (FTAs) and regional economic partnerships. Key opportunities include:

- Embedding advanced digital trade chapters in FTAs that incorporate provisions for paperless trading, mutual recognition of electronic documentation, and facilitation of cross-border data flows.
- Leveraging digital product passports (DPPs) and environmental data transparency to align trade policies with sustainability goals.
- Supporting interoperable digital identities and e-signatures to streamline customs and regulatory compliance.
- Strengthening cooperation in digital infrastructure investments to build resilient supply chains and support green trade hubs.
- Enhancing SME participation in international markets through simplified digital trade rules and capacity-building programs.

Australia's digital economy agenda complements existing regional frameworks such as the ASEAN Digital Masterplan 2025 and plurilateral agreements like DEPA, positioning Australia as a digital trade leader in the Asia-Pacific. By 2030, the integration of Australia's digital economy strategy with modernised trade agreements will unlock efficiencies, promote

sustainable growth, and deepen economic partnerships across the region. **ASEAN's strong focus** on being a **rules-based, connected, and adaptive region** by **2045** creates an opening for **Australia to act as a technical and strategic ally**. **Modernised FTAs** could include commitments to support **ASEAN's institutional strengthening**—for example, through **digital capacity-building** for **regulatory agencies**, **co-financing of digital logistics corridors** under the **ASEAN Connectivity Strategic Plan**, or establishing **Australia-ASEAN centres of excellence** in **digital trade and sustainability**.

The **DEPA**, which **Chile, Singapore, and New Zealand** co-founded, establishes **modular rules** for **digital trade**, including **digital identities, data flows, and AI**, providing a **modern framework** Australia—currently in **observer status**—can leverage in its **FTA upgrades**.

Core Principles for FTA Modernisation: The Green-Digital Nexus

Global trade is rapidly evolving, characterized by simultaneous **green** and **digital transitions** that are transforming both the **structure** and **processes** of **international commerce**. **Australia** must **proactively adapt** its **FTAs** to fully capture these transitions' **economic opportunities**, ensuring its businesses remain **competitive** and **sustainable**. For Australia's **FTAs** to remain **fit for purpose** and to unlock **new economic opportunities**, we advocate for the integration of the following **core principles**:

1. **Advancing Digital Trade Chapters and Interoperability:** The future of trade is **digital**. **Modernised FTAs** must incorporate **comprehensive digital trade chapters** that **directly support the implementation of the ASEAN Digital Economy Framework Agreement (DEFA)**¹⁰ and the AEC's objective to 'Accelerate digital and technology transformation' (**Objective 3.1**). This includes promoting secure cross-border data flows, mutual recognition of e-identification and e-signatures, fostering trustworthy AI, and eliminating unjustified barriers to digital trade, **drawing on best practices from agreements like the EU-Singapore DTA**. A crucial element is the adoption and promotion of global legal framework like the **UNCITRAL Model Law on Electronic Transferable Records (MLETR)**¹¹ to ensure legal certainty and interoperability for electronic trade documents.
2. **Integrating Sustainability and Digital Traceability:** The convergence of the green and digital agendas is paramount. We strongly support integrating Digital Product Passports (DPPs) into trade frameworks **as a practical tool for achieving the AEC Strategic Plan's goal of 'A Sustainable Community' (Strategic Goal 2)**. DPPs directly enable the '**decarbonisation of regional supply chains**' (**Objective 2.1**) and support '**sustainable consumption practices**' (**Strategic Measure 2.1.3**) by providing verifiable

¹⁰ Boston Consulting Group. Study on the ASEAN Digital Economy Framework Agreement (DEFA), (November 2024)

https://asean.org/wp-content/uploads/2024/11/DEFA-Report-public-summary-expanded_Final_25112024.pdf

¹¹ UNCITRAL. Model Law on Electronic Transferable Records

https://uncitral.un.org/en/texts/ecommerce/modellaw/electronic_transferable_records

data on a product's composition, origin, and environmental impact across supply chains. This enhances **transparency**, supports **carbon accounting** (aligning with mechanisms like EU CBAM), and promotes a **circular economy**.

3. **Supporting Micro, Small and Medium-sized Enterprises (MSMEs):** MSMEs form the **backbone** of our economies, driving **innovation** and **employment**. Modernised FTAs must prioritise **simplifying processes** and **reducing costs**, enabling MSMEs to effectively engage in **international trade**. Key measures include **promoting the adoption of digital tools**, clarifying **new green trade requirements**, and ensuring digital trade rules are **inclusive, transparent, and accessible**.

Specifically, digital trade facilitation through modernised FTAs **directly addresses the AEC's objective to 'Advance inclusive, innovative, competitive business environment to strengthen MSMEs integration in the regional and global value chains' (Objective 3.9)**. It reduces administrative burdens and streamlines customs procedures, thereby **promoting 'MSME productivity through capabilities to innovate and adopt enabling technologies' (Strategic Measure 3.9.1)**. These improvements dramatically strengthen MSMEs' **export competitiveness** and **business resilience**, particularly in the **dynamic and diverse** markets of **Southeast Asia**.

4. **Building Trusted Digital Partnerships and Secure Infrastructure:** Reliable and secure digital infrastructure is foundational. FTAs should encourage investment in and the development of **secure digital corridors** and **interoperable platforms**. This fosters trust and resilience in digital supply chains.

A Two-Pronged Strategy for FTA Modernisation: Bilateral and Regional Action

To effectively embed the **green-digital nexus** into its **trade relationships**, Australia should pursue a **two-pronged strategy** that targets both its **direct bilateral partnerships** and the broader **regional** and **plurilateral platforms** it belongs to. **Bilateral agreements** offer fertile ground for **tailored, deep integration** and **pilot projects**, while **regional agreements** are vital for **scaling up standards** and ensuring **wide-reaching regulatory coherence** across the **Asia-Pacific**.

To achieve **harmonisation**, it is not enough to simply adopt existing standards. As the **Asian Development Bank** underscores in its analysis of digital standards, it is crucial for Australia and its ASEAN partners to **actively participate** in **international standards-development bodies**. This ensures that the region's interests are embedded in the next generation of standards for **critical technologies** like **AI, IoT, and blockchain**, which will **underpin future trade**.

Modernising Bilateral Agreements

Australia's **one-on-one trade agreements** with key **Southeast Asian nations** are opportunities to introduce and upgrade specific provisions for **digital** and **green trade facilitation**. This includes embedding commitments to **paperless trading**, formally accepting **electronic trade documents** based on **UNCITRAL MLETR principles**, and establishing frameworks for **streamlined digital customs procedures**.

As a guiding example, the **EU-Singapore Digital Trade Agreement** has successfully facilitated **paperless trade** and significantly reduced **processing times** at **customs**. This model illustrates how modernized provisions could substantially benefit Australia's bilateral trade relations. To improve agreements like **SAFTA** and **IA-CEPA**, lessons from this model could be adopted by:

- **Expanding and clarifying commitments on paperless trade and electronic customs procedures;**
- **Enhancing interoperability between digital systems of trading partners;**
- **Strengthening cooperation on digital identity frameworks and data privacy;**

- **Including mechanisms for continuous review and upgrading of digital trade measures.**

This would help unlock similar efficiency gains and support Australia's trade digitalisation goals.

- **Singapore-Australia Free Trade Agreement (SAFTA):** As Singapore is an advanced digital economy and a fellow participant in the DEPA, SAFTA presents a prime opportunity for rapid progress. The agreement's existing digital trade chapters can be used to fast-track full paperless trade and the mutual recognition of e-signatures. Modernisation efforts should focus on upgrading the agreement to integrate next-generation tools like Digital Product Passports (DPPs).
- **Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA):** The core partnership focus of this agreement makes it ideal for integrating **ESG-linked trade finance** and **digitizing resource supply chains**. A key opportunity exists to pilot **Digital Product Passports (DPPs)** for critical minerals and agricultural exports, which would help Australian exporters demonstrate compliance with **emerging global climate and sustainability standards**. To ensure the successful implementation of secure digital corridors, Australia can partner with Indonesia on targeted capacity-building and infrastructure projects, helping to address its fragmented digital landscape and creating mutual benefits.
- **Malaysia-Australia Free Trade Agreement (MAFTA):** With its current focus on traditional trade and limited digital provisions, MAFTA offers a clean slate for modernisation. Efforts could focus on embedding digital customs procedures and supporting SMEs through interoperable e-payment systems. Progress on integrating more advanced tools like DPPs may be paced by Malaysia's current rate of digital adoption.
- **Thailand-Australia Free Trade Agreement (TAFTA):** Thailand's accelerating digital economy aligns with Australian priorities for establishing secure digital corridors and piloting blockchain-based solutions. Modernising TAFTA creates an opportunity for joint initiatives in green trade, such as developing traceable, sustainable agricultural supply chains. This would require working together to address existing regulatory gaps in sustainability reporting.

Leveraging Regional and Plurilateral Platforms

Broader **agreements** are essential platforms for Australia to champion **higher regulatory standards** and promote **interoperability** across the **Asia-Pacific**. By taking a **leadership role**, Australia can influence the development of **common approaches** to **digital** and **sustainable trade**.

- **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP):**
The CPTPP's high-standard digital trade chapter already supports key Australian objectives, including the adoption of MLETR, interoperable platforms, and digital tools for SMEs. Australia should use this platform to advocate for cross-Pacific standards for DPPs and align approaches to green finance. A key challenge will be harmonising the CPTPP's rules with different frameworks used in the EU and ASEAN.
- **Regional Comprehensive Economic Partnership Agreement (RCEP):** Given its broad Asia-Pacific membership, RCEP is the ideal vehicle for harmonising regional digital customs systems, building on frameworks like the ASEAN Single Window. Australia can leverage RCEP to scale the adoption of DPPs in major manufacturing supply chains involving China, Japan, and South Korea. However, divergent national sustainability standards may complicate efforts to implement transparent environmental tracking, such as for Scope 3 emissions.
- **ASEAN-Australia-New Zealand Free Trade Area (AANZFTA):** AANZFTA is a cornerstone for deepening economic ties with ASEAN nations. Its central focus on the region aligns perfectly with initiatives like the ASEAN Digital Masterplan 2025¹² and the development of secure digital corridors. Modernising AANZFTA provides a significant opportunity to embed advanced green and digital trade provisions, potentially drawing on frameworks like the EU's eIDAS 2.0¹³ for digital identity and establishing green-digital trade hubs. Successfully doing so will require addressing the varying levels of digital readiness among ASEAN members

¹² Association of Southeast Asia Nations. ASEAN Digital Masterplan 2025
<https://asean.org/book/asean-digital-masterplan-2025/>

¹³ European Commission. Discover eIDAS
<https://digital-strategy.ec.europa.eu/en/policies/discover-eidas>

Key Recommendations for Modernisation

Based on our analysis, DigitalTrade4.EU proposes the following strategic recommendations for the Australian government:

- **Prioritise Digital Standards and Interoperability:** Actively promote the adoption of international standards such as **MLETR** for electronic transferable records and explore frameworks similar to the EU's eIDAS 2.0 for **digital identity and trust services**. This will be crucial for seamless digital trade with partners in Southeast Asia and globally.
- **Integrate Trade Finance with Environmental, Social, and Governance (ESG) Criteria:** Leverage digitalisation to simplify reporting and facilitate access to green finance. Modernised FTAs can encourage digital tools that link trade finance to verifiable ESG performance, making sustainable practices more profitable. This approach directly supports the AEC's objective to '**Leverage sustainable finance and investment**' (**Objective 2.6**) and its measure to develop '**innovative financing solutions, and financial structure to support a just, affordable, credible, and orderly transition**' (**Strategic Measure 2.6.3**).
- **Strengthen Digital Trade Partnerships in Asia-Pacific:** Continue to engage actively in plurilateral initiatives like **DEPA**. Learn from and contribute to the development of high-standard digital trade rules that can be reflected in bilateral and regional FTAs. The EU-Singapore DTA serves as a valuable reference point for **trusted digital partnerships**.
- **Embed Environmental Accountability and Transparency through Enhanced Digital Traceability:** Champion the use of **DPPs** and other digital traceability tools within FTAs. This supports Australia's climate objectives, enhances supply chain transparency, and aligns with global trends like the EU's Carbon Border Adjustment Mechanism (CBAM).
- **Ensure Platform Interoperability and Support for SMEs:** Promote an environment where digital platforms are **interoperable**, avoiding vendor lock-in and empowering SMEs to choose the solutions that best fit their needs. Provide targeted support and capacity building to help SMEs navigate and benefit from digital and green trade

provisions. This should be supported by fostering public-private partnerships to co-develop and fund accessible, low-cost digital solutions tailored to the needs of small businesses.

- **Foster Secure Digital Corridors:** Encourage investment and collaboration in building **secure and resilient digital infrastructure** with key trading partners in Southeast Asia. This includes robust cybersecurity measures and data protection frameworks. To effectively foster **secure digital corridors**, Australia should prioritize **strategic partnerships** and **targeted investments** in digital infrastructure projects with **ASEAN member states**. Such investments could include **joint cybersecurity initiatives**, **interoperable e-government services**, and **digitally-enabled trade hubs**. This strategy aligns well with existing regional initiatives such as **ASEAN's Digital Masterplan 2025**, strengthening Australia's **regional integration** and **leadership**.

Conclusion

The modernisation of Australia's FTAs in Southeast Asia presents a significant opportunity to align with the evolving global trade landscape, characterised by the increasing importance of **digitalisation and sustainability**. By embedding the principles of **interoperability, transparency, and trust**, Australia can enhance its economic competitiveness, deepen its partnerships in the region by supporting ASEAN Centrality, and contribute to a more resilient and sustainable global trading system **that reinforces ASEAN-led regional architecture**.

Finally, as Australia modernises its current FTAs, it should also lay the groundwork for addressing 'next-frontier' **digital economy issues**. The **Asian Development Bank** has identified **interoperable cross-border payment systems** and **harmonised rules for digital taxation** as fundamental to deepening **regional economic integration**. We recommend that Australia initiate dialogues on these complex topics within its regional partnerships, positioning itself as a **thought leader** and ensuring its trade architecture is **prepared for the future**.

DigitalTrade4.EU invites the **Australian Government** to collaborate on **joint pilots, knowledge-sharing initiatives, and co-funded projects** that advance the **green-digital agenda**. Together, we can build a **future-ready trade ecosystem** that benefits **businesses, communities, and the planet**.

Australia Green-Digital Trade Modernisation Roadmap (DigitalTrade4.EU, 2025)

activity	objective	indicative Metrics	tools/enablers
1. Promote MLETR Adoption in FTAs	Ensure legal certainty and interoperability for electronic trade documents.	- 100% adoption of MLETR in key FTAs (CPTPP, RCEP) by 2028 - 30% reduction in document processing time by 2027	UNCITRAL MLETR framework, ASEAN digital customs systems, SAFTA/IA-CEPA upgrades
2. Integrate ESG into Trade Finance	Link trade finance to sustainability metrics for cheaper capital access.	- AUD 15B/year unlocked for green trade finance by 2030 - 25% lower Scope 3 emissions by 2030	Reporting aligned with global standards (e.g., EU's CSRD), FinTech platforms, government-backed green finance guarantees (inspired by models like InvestEU)
3. Embed Digital Product Passports (DPPs)	Enhance supply chain transparency and align with global sustainability goals.	- 40% adoption of DPPs in priority sectors (e.g. agriculture, critical minerals, or textiles) by 2030 - 15% reduction in carbon intensity by 2030	UNECE Recommendation 49, EU CBAM registry, ASEAN Sustainable Supply Chain Initiative
4. Strengthen Digital Partnerships (DEPA)	Foster trusted digital partnerships in Asia-Pacific.	- 10+ co-funded digital projects with ASEAN by 2030 - 70% interoperability with EU/APAC systems by 2027	DEPA framework, ASEAN Digital Masterplan 2025, Digital Europe Programme
5. Ensure Platform Interoperability for SMEs	Empower SMEs by reducing vendor lock-in and costs.	- 100% compliance with interoperability rules by 2026 - 40% cost savings for SMEs on digital tools by 2027	Aligned with the DEPA legal framework, policies promote digital competition (inspired by the EU's DMA), enable mutual recognition of digital identities (following models like eIDAS 2.0), and incorporate principles from key international legal precedents
6. Build Secure Digital Corridors with ASEAN	Develop resilient digital infrastructure for cross-border trade.	- AUD 20M allocated to ASEAN cybersecurity initiatives by 2026 - 5+ blockchain customs pilots by 2027	ASEAN Digital Customs Systems, IoT trackers, EU Customs Data Hub collaboration
7. Pilot Green-Digital Trade Hubs	Facilitate SME access to sustainable digital trade practices.	- 50% increase in SME participation by 2028 - 30% faster customs clearance for green goods by 2027	Partnerships with SME support programs (e.g., the EU's COSME), AANZFTA Digital Trade Chapter, grants for skills development and international exchange (inspired by programs like Erasmus+)
8. Harmonize Digital Freight Documentation Laws	Align domestic and international e-transport regulations to streamline compliance and reduce trade friction.	- 80% adoption of standardized e-docs among Australian transport operators by 2028 - 25% reduction in freight documentation processing costs by 2029	National legislation aligned with MLETR and international cargo standards, Australian Digital Transport Platform (ADTP), collaboration with NTC and ASEAN Digital Customs Systems
9. Deploy AI/ML for Sustainable Trade Optimization	Enhance trade efficiency and sustainability through AI-driven analytics and automation.	- 25% reduction in logistics carbon emissions by 2030 - 30% improvement in supply chain forecasting accuracy by 2028	AI platforms (e.g., EU's AI4TRADE-inspired frameworks), Australian AI Ethics Framework, partnerships with global tech providers, open-source ML libraries (TensorFlow, PyTorch)

¹ Table 1. The roadmap prioritizes the synergistic integration of digital and green priorities, establishing robust legal and technical frameworks (e.g., UNCITRAL MLETR adoption, Digital Product Passports), empowering SMEs through inclusive digital trade policies, and building resilient regional partnerships via secure digital infrastructure and cutting-edge technologies like AI and blockchain.

Annex 1: Opportunities for EU-Asia Cooperation

As Australia modernises its **Free Trade Agreements (FTAs)** with Southeast Asian partners, the *European Union's Single Market Strategy (2025)*¹⁴ offers valuable insights for enhancing **digital trade** and **regulatory alignment**. The EU's strategy focuses on **simplifying cross-border commerce**, empowering **small and medium-sized enterprises (SMEs)**, and embedding **digital** and **green innovations** in trade agreements. These objectives align closely with Australia's goals in its FTAs, particularly under the **DEPA** and bilateral agreements such as the **SAFTA**, **IA-CEPA**, **MAFTA**, and **TAFTA**.

Recognising Australia's unique position as a regional digital trade leader actively engaged with **DEPA** (in which it currently holds **observer status**), there is a tangible opportunity to leverage EU experiences and best practices to accelerate **digital trade interoperability**, **legal certainty**, and **green innovation** in Australia-Asia trade relations. The following sections outline concrete areas where EU and Asia cooperation can be deepened through targeted policy and FTA provisions.

Embedding Legal Certainty and Digital Interoperability in FTAs

EU Parallel: The EU's Single Market Strategy emphasises the importance of **digitalisation** to simplify cross-border commerce. It advocates for **digital tools** to enable optimal functioning of the Single Market and to **reduce red tape**, making it easier for businesses to operate across borders.

Australia's Context: Australia's engagement with DEPA and its FTAs provide a legal basis for **electronic transactions** and **documents**. To fully realise the benefits:

- **Action 1:** Explicitly adopt principles that ensure **mutual recognition** of **electronic transferable records**, such as **electronic bills of lading** and **warehouse receipts**, across all Australia's Southeast Asian FTAs.

¹⁴ European Commission, Internal Market, Industry, Entrepreneurship and SMEs. The Single Market: our European home market in an uncertain world (May 2025)
https://single-market-economy.ec.europa.eu/publications/single-market-our-european-home-market-uncertain-world_en

- **Action 2:** Expand provisions in FTAs on **mutual recognition of electronic identification** and **trust services**, building on DEPA's **eID interoperability framework**.
- **Action 3:** Strengthen **dispute resolution** and **enforcement mechanisms** in digital trade chapters to ensure clear remedies for electronic transaction failures and digital security or contractual breaches.

*These steps provide a foundation for **cross-regional legal certainty** that enables faster **customs clearance**, **electronic contract execution**, and reduced **fraud risk**.*

Concrete Trade Facilitation and Customs Digitalisation

EU Parallel: The EU aims to remove customs and regulatory barriers by **digitalising customs processes**, implementing a **Single Window environment**, and promoting **interoperability** between member states' systems.

Australia's Context: Australia has made progress with the **Single Window initiative** and **electronic customs procedures** under its FTAs, but further harmonisation with regional partners is critical.

- **Action 1:** Embed explicit commitments to **cross-border interoperability** of Single Window systems in all Australia's Southeast Asian FTAs.
- **Action 2:** Promote the use of **trusted trader programmes** and advance **blockchain-enabled supply chain transparency** to accelerate customs clearance and improve security.
- **Action 3:** Harmonise and simplify **rules of origin documentation** through **digital certification** and **automated origin validation**.

*These concrete customs facilitation measures directly reduce **delays** and **costs** for Australian exporters and importers and facilitate **green-digital supply chains**.*

Supporting SME Participation Through Digital and Regulatory Simplification

EU Parallel: The EU's Single Market Strategy prioritises **SME inclusion** by cutting **administrative burdens**, extending exemptions to **small and medium enterprises**, and enhancing **digital tools** for business establishment and cross-border operations.

Australia's Context: Australia's engagement with DEPA promotes digital trade facilitation for SMEs, but practical support and regulatory simplification remain challenges.

- **Action 1:** Include specific FTA provisions mandating **reduced digital trade compliance costs** for SMEs, such as **exemption thresholds** for digital customs filings or simplified reporting requirements.
- **Action 2:** Collaborate with EU and regional partners to develop **joint capacity-building programmes** that train SMEs in using digital trade platforms, e-payments, and regulatory compliance tools.
- **Action 3:** Facilitate SME access to **cross-border e-commerce markets** by establishing **interoperable digital marketplace standards** and **trusted payment systems** consistent with EU digital market frameworks.

*These actions empower SMEs to fully leverage **digital trade provisions** and increase their **regional and global participation**.*

Harmonising Standards and Regulatory Cooperation

EU Parallel: The EU emphasises reforming its **standardisation process** to speed **harmonisation**, improve **inclusiveness**, and provide common **technical specifications** that support **innovation** and **sustainability goals**.

Australia's Context: Divergent standards remain a significant trade barrier in Asia-Pacific, complicating market access for Australian goods and services.

- **Action 1:** Pursue **Mutual Recognition Agreements (MRAs)**¹⁵ with key ASEAN partners and the EU on **product standards**, **certification**, and **conformity assessment** to reduce redundant testing and facilitate faster market entry.

¹⁵ European Commission. Mutual Recognition Agreements | European companies that wish to export to Australia, Canada, Japan, New Zealand, the USA, Israel or Switzerland need to know about Mutual Recognition Agreements (MRAs) and the designated Conformity Assessment Bodies (CABs).

- **Action 2:** Integrate **green standards** and **digital labelling requirements** in trade agreements to ensure regulatory coherence with EU and regional sustainability frameworks.
- **Action 3:** Support **trilateral regulatory cooperation dialogues** between Australia, the EU, and Asia-Pacific economies to align **technical regulations**, avoid fragmentation, and share best practices on digital trade governance.

*Through such regulatory alignment, Australia can lower **compliance costs** and create **predictable business environments** across two major economic regions.*

Advancing Green and Digital Trade Innovation

EU Parallel: The EU's Circular Economy Action Plan and Single Market Strategy embed **environmental accountability** via **digital traceability**, harmonised **extended producer responsibility schemes**, and **sustainable finance frameworks**.

Australia's Context: Australia's FTAs provide a platform to integrate sustainability into trade, but uptake of digital traceability and green finance is nascent.

- **Action 1:** Incorporate **mandatory Digital Product Passport provisions** in FTAs to improve transparency of **carbon footprints** and **material provenance**.
- **Action 2:** Embed **ESG-linked trade finance provisions** that encourage investments in sustainable supply chains, with interoperable standards aligning EU, DEPA, and Asia-Pacific green finance initiatives.
- **Action 3:** Develop joint **pilot projects** on **blockchain-enabled environmental compliance** and **carbon accounting** across Australia-EU-Asia supply chains to build scalable models for sustainable trade.

*These initiatives would align Australia's trade policy with emerging global **sustainability standards** and enhance **green trade competitiveness**.*

Annex 2: Case Study - Developing Australia-Cambodia Digital Trade

This case study illustrates how Australia can strategically partner with Cambodia to accelerate **digital trade development**, leveraging existing and future FTA frameworks to create **mutual economic benefits** and strengthen **regional integration**.

Context: Cambodia's **digital economy is rapidly growing**, driven by high mobile penetration and a government focused on digital transformation through its ***Digital Economy and Society Policy Framework 2021-2035***¹⁶. However, it faces challenges in **digital literacy, infrastructure, and regulatory maturity**. As a developed digital economy, Australia is ideally positioned to be a **key partner** in Cambodia's digital journey.

1. Leveraging the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA): AANZFTA provides the foundational framework for immediate action. Modernisation efforts should focus on practical, targeted initiatives:

- **Digital Skills and Capacity Building:** Australia can earmark development assistance to co-fund a "**Digital Trade Capacity Building Program**" for Cambodian government officials and SMEs. This program would focus on implementing the **AANZFTA digital trade chapter**, understanding **MLETR principles**, and managing **digital customs procedures**.
- **Pilot Project for Garment/Agriculture Traceability:** Launch a joint pilot project to create a **secure digital trade corridor** for Cambodia's garment or agricultural exports to Australia. This initiative could use **blockchain for supply chain traceability** and **electronic Certificates of Origin**, reducing paperwork, preventing fraud, and enhancing transparency for Australian consumers.
- **SME E-commerce Integration:** Establish an "**Australia-Cambodia SME Digital Exporter Program**" under AANZFTA's economic cooperation workstream. This would provide grants and technical support for Cambodian SMEs to onboard onto major **e-commerce platforms**, access **digital payment gateways**, and connect with Australian buyers.

¹⁶ Supreme National Economic Council. Digital Economy and Society Policy Framework 2021-2035 (May 2021) <https://asset.cambodia.gov.kh/mptc/media/EN-Policy-Framework-of-Digital-Economy-and-Society.pdf>

2. Applying Regional Comprehensive Economic Partnership (RCEP) Frameworks: RCEP offers a platform to scale and harmonise the initiatives started under AANZFTA, ensuring Cambodia's integration into **broader regional value chains**.

- **Harmonising Customs and Data Rules:** Australia can provide technical assistance to help Cambodia align its customs and data regulations with **RCEP's e-commerce chapter**. This ensures that digital systems established under the AANZFTA pilot are **interoperable** with those of major RCEP trading partners like China, Japan, and South Korea.
- **Promoting Cross-Border Data Flows:** Work with Cambodia to implement RCEP's provisions on **facilitating cross-border data transfers for business**. This is critical for developing a vibrant **digital services sector** in Cambodia, enabling Australian tech companies to invest with confidence and Cambodian firms to offer services regionally.

3. Preparing for a DEPA-Ready Future: While Cambodia is not currently a member of the DEPA, Australia can use its observer status to help Cambodia prepare for future digital trade standards.

- **DEPA "Mentorship" Program:** Australia can act as a **strategic mentor**, sharing insights on DEPA's high-standard modules (e.g., **Digital Identities, AI Governance, FinTech**). This could involve policy workshops and **regulatory "sandboxes"** where Cambodian regulators and businesses can experiment with DEPA-aligned policies on a small scale.
- **Foresight and Policy Alignment:** By aligning its capacity-building efforts with **DEPA's principles**, Australia can ensure that Cambodia's digital policy development is **future-proofed** and directed towards a path of eventual accession to high-standard digital agreements.

Expected Outcomes:

- **For Cambodia:** Accelerated digital transformation, increased export competitiveness for key sectors, **inclusive growth** through SME participation in global trade, and **improved regulatory frameworks** attracting foreign investment.
- **For Australia:** A strengthened strategic and economic partnership with a key, high-growth ASEAN nation. **New opportunities** for Australian tech and service exporters, more **resilient and transparent supply chains**, and demonstration of Australia's **leadership as a digital trade partner** in the Indo-Pacific.