



Activity Report

DFAT SEA FTA Grants 001 — "Options for FTA Modernisation to Strengthen Critical Mineral Supply Chains for the Indo-Pacific Green Economy Transition"

Milestone 4: Activity Report 28 February 2026

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Project Overview

This Activity Report presents the research findings and recommendations of the project "Options for FTA Modernisation to Strengthen Critical Mineral Supply Chains for the Indo-Pacific Green Economy Transition," funded under DFAT SEA FTA Grants 001.

The project examined how Australia's Free Trade Agreement architecture with Southeast Asian partners could be modernised to strengthen critical minerals supply chains for the green economy transition. It adopted a "pathfinder sector" approach: using critical minerals as the analytical anchor while exploring whether identified barriers, opportunities, and solutions extend to agriculture, green economy, and other priority sectors.

The project implements **Recommendation 10** of the *Invested: Australia's Southeast Asia Economic Strategy to 2040*: "Australia's Trade 2040 Taskforce, in collaboration with Southeast Asian partners, to review the scope of existing FTAs to determine priorities for agreement upgrade negotiations."^[1]

Research Findings and Recommendations

The substantive findings and recommendations are presented in full in two companion documents:

Final Recommendations Report

As documented in the Final Recommendations Report, the central finding is an implementation gap rather than an agreement gap — the highest-value near-term actions require activation of existing provisions, not renegotiation. The report presents a three-tier "activation and targeted modernisation" framework:

- **Tier 1 — Activate existing provisions:** Operationalise economic cooperation chapters, improve FTA utilisation, and activate bilateral institutional mechanisms with critical minerals agendas.
- **Tier 2 — Institutional and administrative improvements:** Establish business advisory mechanisms, pursue standards mutual recognition, digitise trade facilitation, and strengthen domestic coordination.
- **Tier 3 — Targeted new provisions:** Negotiate critical minerals chapters, METS services commitments, green rules of origin, investment facilitation, and technology transfer frameworks.

The report includes an implementation roadmap extending to 2040, with agreement-specific sequencing prioritising AANZFTA and IA-CEPA.

Technical Paper: Model Provisions

The **Technical Paper on Model Provisions** translates the recommendation framework into specific model FTA provisions across nine thematic areas, drawing on international precedents including

the US-Japan Critical Minerals Agreement (2023), EU-Chile Advanced Framework Agreement (2023), CPTPP, and USMCA. The model provisions are designed as a flexible menu from which parties select according to their bilateral relationship and institutional capacity.

Addressing Grant Objectives

Objective 1: Inform the Australian government's Southeast Asia trade and investment agenda to 2040

The project informs the trade and investment agenda through:

- Strategic context analysis establishing the geopolitical urgency of critical minerals supply chain diversification, informed by the ASPI assessment that many existing agreements "remain dormant, overtaken by market realities or stalled by implementation hesitancy"
- Evidence-based diagnosis of the implementation gap as the central barrier, grounded in quantitative data (only 17% of Australian businesses make significant use of FTAs; 28% are unaware agreements exist)
- A three-tier recommendation framework with eighteen specific recommendations extending to 2040 through the Implementation Roadmap (Final Recommendations Report, Section 7)
- Country-specific partnership opportunities with Indonesia, the Philippines, Malaysia, Vietnam, and Thailand, identifying distinct complementarity and priority agreement vehicles for each

Objective 2: Inform how the Australian government prioritises FTA modernisation and enhancement in Southeast Asia

The project informs prioritisation through:

- A tiered urgency structure distinguishing immediate activation (Tier 1, four recommendations), medium-term institutional reforms (Tier 2, six recommendations), and longer-term negotiations (Tier 3, eight recommendations)
- Agreement-specific sequencing recommending AANZFTA and IA-CEPA as priority vehicles, reflecting their institutional readiness: AANZFTA's 2025 upgrade with TSD chapter and full cumulation, and IA-CEPA's General Review and \$40 million economic cooperation program
- Evidence-based identification of standards mutual recognition as the highest-value opportunity and business advisory mechanisms as the most critical institutional gap

Objective 3: Inform liberalisation and facilitation of trade and investment in Southeast Asia and closer economic integration

The project informs liberalisation and facilitation through:

- Documentation of behind-the-border barriers — regulatory fragmentation, standards divergence, administrative complexity — as more significant impediments than tariffs
- Specific trade facilitation recommendations including digital customs, self-certification, METS services liberalisation, and rules of origin reform (Final Recommendations Report, Section 5; Technical Paper, Sections 4.2–4.3)
- Investment facilitation provisions moving beyond protection to active facilitation through regulatory predictability
- Circular economy provisions addressing emerging barriers to cross-border materials flows

Addressing Grant Outcomes

Outcome 1: Identify current/possible impediments, opportunities, or areas for further liberalisation under existing FTAs

The Evidence Review (submitted October 2025) and Final Recommendations Report document impediments across seven FTAs (SAFTA, MAFTA, TAFTA, IA-CEPA, CPTPP, RCEP, AANZFTA), including:

- The implementation gap: only 17% of Australian businesses make significant use of FTAs, with 28% unaware agreements exist
- Behind-the-border barriers: standards fragmentation, regulatory unpredictability, administrative complexity
- Agreement-specific gaps: zero METS services coverage under AANZFTA, no sustainability provisions under RCEP, no environment chapter in IA-CEPA
- Export restrictions outside FTA disciplines: Indonesia's nickel ban, Vietnam's CPTPP carve-outs

Opportunities identified include activation of existing cooperation chapters, the AANZFTA 2025 TSD chapter as an entry point, and standards mutual recognition as the highest-value quick win.

Outcome 2: Opportunities for inclusion/enhancement of new/emerging thematic areas

The project identifies opportunities in:

- **Critical minerals:** Dedicated FTA provisions (model provisions in the Technical Paper)
- **Green economy:** Green rules of origin, sustainability certification
- **Circular economy:** Battery end-of-life trade, Basel Convention alignment, EPR harmonisation
- **Digital economy:** Digital certificates of origin, blockchain verification, e-certification
- **First Nations trade:** Indigenous consultation and benefit-sharing provisions
- **Sustainability:** ESG standards integration, mutual recognition arrangements
- **Labour:** ILO-aligned labour rights in critical minerals supply chains
- **Competition:** Anti-monopoly provisions for critical minerals following EU-Chile precedent

Outcome 3: Trade-exposed stakeholders provide recommendations on prioritisation of modernisation/upgrade negotiations, with consideration to 2040

The project's mixed-methods consultation approach — combining extensive desk research on published industry positions with targeted individual consultations and two multi-stakeholder virtual workshops under Chatham House Rule — produced stakeholder-informed recommendations across all eight consultation themes:

1. Activate, don't renegotiate — FTA text is not the main problem
2. Behind-the-border barriers dominate — standards and regulatory complexity outweigh tariff issues
3. Implementation gap is the central problem — existing provisions are underused
4. Government coordination needs reform — cross-departmental alignment is insufficient
5. Business engagement needs structural mechanisms — not transactional missions
6. Joint value chains over export promotion — partnership framing
7. Standards as strategic lever — proactive development, not reactive compliance

8. Circular economy integration – battery end-of-life as part of the critical minerals value chain

The Implementation Roadmap to 2040 reflects stakeholder-informed sequencing across four phases: Activation (2026–2027), Institutional Reform (2028–2030), Targeted Enhancement (2031–2035), and Regional Leadership (2036–2040).

Deliverables Produced

Deliverable	Status	Milestone
Inception Report	Submitted October 2025	Milestone 2
Evidence Review	Submitted October 2025	Milestone 2
Progress Report	Submitted October 2025	Milestone 2
Consultation Summary	Submitted December 2025	Milestone 3
Cross-Departmental Roundtable Concept Note	Submitted December 2025	Milestone 3
Final Recommendations Report	February 2026	Milestone 4
Technical Paper: Model Provisions	February 2026	Milestone 4
Activity Report (this document)	February 2026	Milestone 4

Note: The planned cross-departmental roundtable was deferred at DFAT's direction to prioritise expanded industry consultation, consistent with the project's responsive approach to stakeholder engagement design.

Consultation Process Summary

The project employed a mixed-methods consultation approach:

Desk review phase (September–November 2025): Systematic analysis of published industry positions, peak body statements, government reports, and academic literature producing ten deep research reports covering mining, METS, financial services, renewable energy, agriculture, and Southeast Asian industry perspectives.

Targeted consultation phase (October 2025–February 2026): Individual consultations with key stakeholders across seven categories – Australian government officials, Southeast Asian government and industry representatives, mining and METS industry, financial services, peak industry bodies, academic researchers, and civil society organisations – complemented by two multi-stakeholder virtual workshops (December 2025 and February 2026). Stakeholders overwhelmingly preferred non-attribution under Chatham House Rule, enabling frank discussion of sensitive topics including government coordination gaps, regulatory failures, and competitive dynamics.

Adjusted methodology: The planned cross-departmental roundtable was deferred at DFAT's direction. The project adjusted by prioritising expanded industry consultation, which proved effective in generating robust, actionable findings across all consultation themes.

Consultation findings are integrated throughout the Final Recommendations Report and Technical Paper, with consultation evidence grounding the rationale for each recommendation and model provision.

This Activity Report should be read in conjunction with the Final Recommendations Report and Technical Paper: Model Provisions, which contain the substantive research findings and recommendations.

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1. Nicholas Moore AO, *Invested: Australia's Southeast Asia Economic Strategy to 2040*, Department of Foreign Affairs and Trade, Australian Government, September 2023, Recommendation 10, <https://www.dfat.gov.au/sites/default/files/invested-southeast-asia-economic-strategy-2040.pdf>