



ASEAN-Australia-New Zealand FTA: Indonesia entry-into-force

Impact for New South Wales

The Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) will enter into force for Indonesia on 10 January 2012. At that time, AANZFTA will be in force for all 12 signatories to the agreement.

Entry-into-force of AANZFTA for Indonesia will benefit both Australia and Indonesia. Tariffs on a wide range of Australian exports to Indonesia will reduce to zero, improving market access opportunities for Australian exporters (see section 1 below). Indonesia will also bind existing levels of market openness in various services sectors, providing greater certainty for Australian exporters and investors (see section 2 below). Many existing Indonesian exports to Australia are currently paying tariffs and for most of these products Indonesia will receive duty-free treatment from entry-into-force of AANZFTA between our two countries.

Australia and Indonesia are the two largest economies in AANZFTA. Total goods and services trade between Australia and Indonesia stood at \$12.9 billion in 2010, making Indonesia our 12th largest trading partner globally and fourth largest trading partner in ASEAN. AANZFTA's entry-into-force for Indonesia presents an opportunity to grow further our trade and investment relationship.

The Australian Prime Minister and Indonesian President launched the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) negotiations in November 2010. The IA-CEPA will build on AANZFTA and further strengthen the bilateral economic relationship. In taking the IA-CEPA negotiations forward, the Department of Foreign Affairs and Trade welcomes submissions on issues relating to Australia's trade, investment and economic cooperation with Indonesia (email to ia-cepa@dfat.gov.au). IA-CEPA developments can be followed at <http://www.dfat.gov.au/fta/iacepa/index.html>.





1. Trade in Goods

- . New South Wales merchandise exports to Indonesia (calendar year 2010) were \$802 million. Export products included:
 - Wheat \$187 million
 - Aluminium and articles thereof \$144 million
 - Cotton \$96 million
 - Articles of iron or steel \$87 million
 - Machinery and mechanical appliances; parts thereof \$45 million
 - Iron & steel \$43 million
 - Beef \$28 million
 - Products of the milling industry \$27 million
 - Fertilisers \$20 million
 - Pharmaceutical products \$10 million

The following analysis summarises tariff outcomes for access to Indonesia under AANZFTA for some of the products of export interest to New South Wales.

Wheat (HS Heading 1001)

- . Tariffs of 0% bound from entry-into-force.

Aluminium and articles thereof (HS Chapter 76)

- . Tariffs of 5% and 10% eliminated from entry-into-force.
- . Tariffs of 20% and 15% reduced to 5% and 3% respectively from entry-into-force and eliminated by 2015.

Cotton (HS Chapter 52)

- . Tariffs on raw cotton bound at 0% and tariffs of 5% on cotton waste and cotton yarn eliminated from entry-into-force.

Iron and steel and articles thereof (HS Chapters 72-73)

- . Tariff-free treatment on 52% of tariff lines on entry-into-force, increasing annually to 76% of tariff lines in 2020.
- . Tariffs on over 90% of tariff lines bound at 5% or less by 2017, and on all lines by 2025.



Machinery and mechanical appliances (HS Chapter 84)

- Tariffs of 5% eliminated from entry-into-force on centrifugal pumps for liquids (HS 8413.70).
- Tariffs of 5% eliminated from entry-into-force on machinery for sorting, screening, separating or washing earth, stone, ores or other mineral substances (HS 8474.10).

Beef (HS Heading 0201-0202)

- Tariffs of 5% eliminated from entry-into-force for imports of fresh, chilled or frozen carcasses and half-carcasses and other fresh or chilled cuts with bone in.

Products of the milling industry (HS Chapter 11)

- Tariffs of 5% reduced to 4% from 2015 and eliminated in 2020 on wheat flour (HS Sub-heading 1101.00).
- Tariffs of 5% eliminated from entry-into-force on starches, inulin and gluten (HS Heading 1108-1109).

Fertilisers (HS Chapter 31)

- Tariffs of 5% eliminated from entry-into-force.

Pharmaceutical products (HS Heading 3003-3004)

- Tariffs of 5% and 10% eliminated from entry-into-force on medicaments.

2. Trade in Services Opportunities for New South Wales

- Services exports from New South Wales to the world were worth \$20.5 billion in 2010, accounting for 37.8% of the State's total exports.
- Education and Travel were New South Wales' top services exports in 2010, comprising \$11.6 billion or 56% of the State's services exports.
 - In 2010, there were 8,681 Indonesian student enrolments in New South Wales. Of these, 4,364 Indonesian enrolments were in vocational education and training and 3,073 in higher education study.
- New South Wales' services exporters are in a strong position to access the growing services markets in Indonesia.
 - In banking services, Indonesia has committed to allow purchase on the stock exchange of up to 51% of shares in a local existing bank.



Australian Government

Department of Foreign Affairs and Trade



ASEAN-AUSTRALIA-NEW ZEALAND
FREE TRADE AGREEMENT (AANZFTA)

- In insurance services, Indonesia has committed to allowing foreign equity participation of 80% for Australian service suppliers.
 - In construction services, Indonesia has committed to allowing joint ventures with aggregate foreign equity of 55%.
 - Indonesia has committed to permit foreign lawyers to work in Indonesian law firms as employees or experts in international law (with the share of foreign lawyers to not exceed 20% of total legal staff or five foreign lawyers per firm).
- . A built-in review provision provides for further improvements to be negotiated over time, as the ASEAN countries progressively liberalise their services sectors.

CASE STUDY – WIRE MESH INDUSTRIES

Wire Mesh Industries is a Sydney-based company, manufacturing and supplying knitted, welded and woven wire mesh products.

Products include automotive components, mist eliminators, sieves and screens.

These products are supplied to the automotive, defence, mineral and resource sectors, petrochemical refining, engineering, manufacturing, building and construction and insulation industries.

Wire Mesh Industries exports to a range of markets including Singapore, Malaysia, Indonesia, Thailand, New Zealand, Papua New Guinea, China and Romania as well as supplying all States and Territories within Australia.

On entry-into-force of AANZFTA for Indonesia, 5% tariffs on woven stainless steel cloth will be eliminated.