



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

Impact for Northern Territory

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

- Northern Territory merchandise exports to Indonesia (calendar year 2010) were \$258 million. Export products included:
 - Live animals - cattle \$163 million
 - Petroleum oils and crude \$51 million
 - Articles of iron or steel \$7 million
 - Inorganic chemicals \$5 million
 - Railway or locomotives, rolling stock \$4 million
 - Machinery and mechanical appliances \$3 million

The following analysis summarises tariff outcomes for access to Indonesia under AANZFTA for some of the products of export interest to the Northern Territory.

Live animals – cattle (HS Heading 0102)

- Tariffs of 5% eliminated from entry-into-force on pure-bred breeding animals, oxen and buffalo, and the 5% tariff on other live cattle reduced to 2.5% in 2025.

Petroleum oils and crude (HS Chapter 27)

- Tariffs of 0% bound 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 at 5% or less by 2017, and on all lines by 2025.

Inorganic chemicals (HS Chapter 28)

- Tariffs of 5% or 10% eliminated on entry-into-force.

2. Trade in Services Opportunities for Northern Territory

- Services exports from Northern Territory to the world were worth \$883 million in 2010, accounting for 14% of the State's total exports.
- Travel, comprising \$475 million (54% of the Territory's services exports) and Government goods and services, comprising \$319 million (36% of the Territory's services exports) were Northern Territory's top services exports in 2010.



- . The Northern Territory's 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.
 - 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 – DARWIN PORT CORPORATION

The Darwin Port Corporation's customers comprise the Northern Territory's import and export logistics network. A multi-modal hub, the Port of Darwin is capable of handling a diverse range of vessel types and import and export cargoes.

In 2010 exports from the port reached a record high of 3.4 million tonnes, of which 4.6% were directed to Indonesia. Key exports to Indonesia from the port in 2010 were live cattle, petroleum oils and dry bulk exports (including iron ore). Darwin also hosts two Indonesian Customs officers who provide pre-inspection for shipments to Eastern Indonesia under an agreement between the Northern Territory Government and the Government of Indonesia.

With AANZFTA's entry into force, the Darwin Port Corporation should benefit from improved trade opportunities with Indonesia, as should Northern Territory companies at all stages of the import and export supply chain.