



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

Impact for Queensland

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

Queensland's merchandise exports to Indonesia (calendar year 2010) were \$1.2 billion. Export products included:

– Sugar ¹	\$477 million
– Copper and articles thereof	\$113 million
– Cotton	\$89 million
– Machinery and mechanical appliances; parts thereof	\$83 million
– Beef	\$65 million
– Aluminium and articles thereof	\$45 million
– Fertilisers	\$38 million
– Wheat	\$33 million
– Live animals - cattle	\$32 million
– Residues and waste of food; prepared animal fodder	\$18 million
– Iron & steel	\$10 million
– Articles of iron or steel	\$10 million

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

Copper (HS Chapter 74)

- Tariffs on copper cathodes reduced from 5% to 3% in 2025.
- All other tariffs of 5% and 10% eliminated from entry-into-force.
- Tariffs of 15% reduced on entry-into-force and then eliminated in 2013.
- Tariffs of 20% reduced on entry-into-force and then eliminated in 2014.

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.

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).

¹ January – September 2010 figure



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.

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 in 2015.

Fertilisers (HS Chapter 31)

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

Wheat (HS Heading 1001)

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

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.

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 in 2025.

Residues and waste of food; Prepared animal fodder (HS Chapter 23)

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

2. Trade in Services Opportunities for Queensland

- Services exports from Queensland to the world were worth \$8.9 billion in 2010, accounting for 15% of the State's total exports.
- Travel and Education were Queensland's top services exports in 2010, comprising \$6.4 billion or 72% of the State's services exports.
 - In 2010, there were 909 Indonesian student enrolments in Queensland. Of these, 128 Indonesian enrolments were in vocational education and training and 622 in higher education study.
- Queensland's services exporters are in a strong position to access the growing services markets in Indonesia.



Australian Government

Department of Foreign Affairs and Trade



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

- 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 – QUEENSLAND COTTON

Owned by Olam International Pty Ltd, Queensland Cotton is a Brisbane-based company, and a major supplier of premium cotton to the world's textile markets. Queensland Cotton markets cotton to all major consuming markets including China, Indonesia, Japan, Thailand, Republic of Korea, Vietnam, Malaysia, Taiwan, Italy, Turkey, Pakistan and India.

The company provides services to all stages of the cotton industry supply chain, including sourcing cotton from growers, running ginning operations for more than 800,000 bales, classing, warehousing and shipping, risk management and marketing services.

With operations in Australia, the United States and Brazil, Queensland Cotton is able to source cotton from premium cotton growing regions of both northern and southern hemispheres. This enables Queensland Cotton to deliver a quality product to the global market year-round.

When AANZFTA enters into force for Indonesia, tariffs on Australian cotton exported by Queensland Cotton will be bound at zero from entry-into-force.