



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

### Impact for South Australia

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 12<sup>th</sup> 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](mailto: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

- South Australian merchandise exports to Indonesia (calendar year 2010) were \$288 million. Export products included:

– Wheat	\$153 million
– Copper and articles thereof	\$52 million
– Iron & steel	\$20 million
– Machinery and mechanical appliances	\$16 million
– Zinc and articles thereof	\$10 million
– Lead and articles thereof	\$6 million
– Products of the milling industry	\$5 million
– Pulp of wood or of other fibrous cellulosic material	\$3 million
– Beef	\$2 million

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

### Wheat (HS Heading 1001)

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

### Copper and articles thereof (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 and then eliminated in 2013.
- Tariffs of 20% reduced and then eliminated in 2014.

### 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% 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).



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- The elimination on entry-into-force of a 5% tariff on machinery for sorting, screening, separating or washing earth, stone, ores or other mineral substances (HS 8474.10).

#### Zinc and articles thereof (HS Chapter 79)

- Tariffs of 5% and 10% eliminated from entry-into-force.
- 15% tariff reduced from entry-into-force and eliminated in 2013.

#### Lead and articles thereof (HS Chapter 78)

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

#### 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).

#### 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.

#### Automotive Parts and Components (HS Chapter 87)

- Tariff-free treatment on almost all tariff lines achieved by 2020 (and on about 80% of tariff lines by 2013).
  - For example, elimination of a 15% tariff by 2013 or 2014 on exports of miscellaneous motor vehicle parts and accessories (HS 8708.99).

#### Passenger Motor Vehicles (HS Chapter 87)

- Tariff elimination achieved in 2014 for PMV with spark ignition engines of cylinder capacity exceeding 3000cc.
- Tariff elimination achieved in 2019 for PMV with spark ignition engines of cylinder capacity less than or equal to 3000cc range.

## 2. Trade in Services Opportunities for South Australia

- Services exports from South Australia to the world were worth \$2 billion in 2010, accounting for 18.6% of the State's total exports.
- Education and Travel were South Australia's top services exports in 2010, comprising \$1.7 billion or 78% of the State's services exports.



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- In 2010, there were 445 Indonesian student enrolments in South Australia. Of these, 325 enrolments were in higher education study.
- . South Australia'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 – REFINED COPPER

At \$52 million, refined copper was one of South Australia's biggest export commodities to Indonesia in 2010. Almost 75% of Economic Demonstrated Resources (EDR) of copper in Australia is in South Australia, mostly contained in the Olympic Dam deposit. More than 3,800 people are employed by the copper mining industry in South Australia.

Australia is estimated to have about 13% of the world's economic resources of copper, the second largest after Chile and ahead of Peru, Mexico, the USA, Indonesia and China. Refined copper is one of Australia's top 10 commodity exports, worth about \$2.6 billion a year.

The entry into force of AANZFTA for Indonesia will see the reduction and elimination of tariffs on refined copper. Tariffs on copper cathodes will be reduced from 5% to 3% in 2025 and all other tariffs of 5% and 10% will be eliminated from entry-into-force. Tariffs of 15% will be reduced on entry-into-force and then eliminated by 2013, and tariffs of 20% will be reduced on entry-into-force and eliminated in 2014.