



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

Impact for Tasmania

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

- Tasmanian merchandise exports to Indonesia (calendar year 2010) were \$108 million. Export products included:

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| – Zinc and articles thereof | \$48 million |
| – Aluminium and articles thereof | \$18 million |
| – Seafood | \$6 million |
| – Vehicles, parts and accessories thereof | \$5 million |
| – Dairy | \$4 million |
| – Iron & steel | \$4 million |
| – Machinery and mechanical appliances; parts thereof | \$2 million |

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

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.

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.

Seafood (HS Chapter 03)

- Most tariffs eliminated from entry-into-force or by 2013, with tariffs on a small number of products gradually reduced to 2.5% or 7.5% in 2025.

Vehicles (HS Chapter 87)

- Tariffs as high as 40% reduced from entry-into-force and eliminated by 2020 on dumpers designed for off-highway use (HS 8704.10).

Dairy (HS Chapter 04)

- Tariffs of 5% reduced to 4% in 2015 and eliminated by 2020 for skim milk powder in bulk (HS 0402.10.30.00) and eliminated in 2021 for skim milk powder in retail packs (HS 0402.10.90.00).



- Tariffs of 5% reduced to 4% in 2015 and eliminated by 2019 for whole milk powder in bulk (HS 0402) and eliminated in 2019 or 2020 for whole milk powder in retail packs (HS 0402).
- Tariffs of 5% eliminated from entry-into-force on butter (HS 0405.10).
- Tariffs of 5% eliminated from entry-into-force on most cheeses, and reduced to 4% in 2015 on grated or powdered cheese (HS 0406.20).

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.

Ores and concentrates (HS Chapter 26)

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

Wood & articles of wood (HS Chapter 44)

- Tariffs of 10% reduced to 8% in 2014 and eliminated by 2020 on packing cases, boxes, crates and drums made of wood (HS 4415).
- Other tariffs of 5% and 10% eliminated from entry-into-force.

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.

2. Trade in Services Opportunities for Tasmania

- Services exports from Tasmania to the world were worth \$397 million in 2010, accounting for 10.9% of the State's total exports.
- Travel and Education were Tasmania's top services exports in 2010, comprising \$351 million or 88% of the State's services exports.
- Tasmania'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.



Australian Government

Department of Foreign Affairs and Trade



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

- 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 – LPI

Lightning Protection International Pty Ltd, known in the market as LPI[®], is a fully-owned Australian manufacturer and supplier of direct strike lightning, surge and transient protection equipment, and earthing solutions. LPI's head office and manufacturing facility is based in Tasmania.

LPI is involved in risk management, system design, training, certification, installation and commissioning. It works in industries such as telecommunications, aviation and mining, as well as supplying monuments, high rise buildings and sporting centres.

The company has an established distribution network in over 45 countries, including Indonesia. LPI are active in mining, oil and gas, industrials, building and telecommunications sectors in Indonesia. The company has a well established distributor/dealer network covering all parts of Indonesia.

On entry-into-force of AANZFTA in Indonesia, tariffs on a range of products that LPI exports to Indonesia will be reduced from 5% to 0%. These include products such as lightning arresters, voltage limiters and surge suppressors.