



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

Impact for Victoria

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

- Victorian merchandise exports to Indonesia (calendar year 2010) were \$573 million. Export products included:
 - Dairy produce; Edible products of animal origin, NES \$129 million
 - Beef \$85 million
 - Wheat \$50 million
 - Aluminium and articles thereof \$27 million
 - Live animals – cattle \$24 million
 - Machinery and mechanical appliance \$22 million
 - Edible fruit and nuts; Peel of citrus fruit or melons \$22 million
 - Cotton \$21 million
 - Animal & vegetable fats & oils \$18 million
 - Pulp of wood or of other fibrous cellulosic material \$16 million
 - Miscellaneous chemical products \$14 million
 - Albuminoidal substances \$13 million
 - Iron & steel \$13 million

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

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).



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.

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 in 2015.

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% on other live cattle tariff reduced to 2.5% in 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).

Fruit and Nuts (HS Chapter 08)

- Tariffs of 5% eliminated from entry-into-force on oranges (HS 0805.10).
- Tariffs of 5% eliminated from entry-into-force on grapes (HS 0806.10).
- Tariffs of 5% eliminated from entry-into-force on pears and quinces (HS 0808.20).
- Tariffs of 5% eliminated from entry-into-force on almonds (HS 0802.11 - 0802.12).

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 Chapter 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.



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.

Other Processed Goods

- Tariffs of 5% eliminated from entry-into-force on edible preparations of animal or plant fats and oils (HS Sub-heading 1517.90).

2. Trade in Services Opportunities for Victoria

- Services exports from Victoria to the world were worth \$12.8 billion in 2010, accounting for 40.1% of the State's total exports.
- Education and Travel were Victoria's top services exports in 2010, comprising \$8.5 billion or 66% of the State's services exports.
 - In 2010, there were 5,918 Indonesian student enrolments in Victoria. Of these, 850 Indonesian enrolments were in vocational education and training and 3,886 in higher education study.
- Victoria'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 – GEKKO SYSTEMS

Gekko Systems is an innovative and highly regarded Ballarat-based manufacturer that provides environmentally improved and low-cost metallurgical solutions for the mining industry. The company's area of expertise is the design, manufacture and application of equipment in the mineral processing field with a specialist focus on gold, diamonds, sulphide and silver. Gekko Systems employs around 100 people and has 450 installations across 40 countries. Export earnings represent, on average, approximately 85% of total business.

The company has recently established a South American office in Chile, a country with which Australia has implemented an FTA, and operations on the continent are growing rapidly.

Gekko Systems has a strong interest in taking advantage of any benefits provided by AANZFTA. Indonesia is a particularly important market and they have also exported to Laos, Vietnam, the Philippines and Thailand.

On entry-into-force of AANZFTA for Indonesia, tariffs on a range of products that Gekko Systems exports to Indonesia will be reduced from 5% to 0%. These include products such as sorting, screening, washing and separating machines.