



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

Impact for Western 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 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

- Western Australian merchandise exports to Indonesia (calendar year 2010) were \$1.1 billion. Export products included:

– Wheat	\$546 million
– Live animals - cattle	\$100 million
– Petroleum oils and crude	\$45 million
– Machinery and mechanical appliances	\$44 million
– Beef	\$35 million
– Iron & steel	\$34 million
– Tanning or dyeing extracts	\$31 million
– Pulp of wood or of other fibrous cellulosic material	\$19 million
– Fertilisers	\$17 million

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

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.

Petroleum oils and crude (HS Chapter 27)

- Tariffs of 0% bound 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).

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.



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.

Fertilisers (HS Chapter 31)

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

2. Trade in Services Opportunities for Western Australia

- Services exports from Western Australia to the world were worth \$5.4 billion in 2010, accounting for 5.0% of the State's total exports.
- Travel and education were Western Australia's top services exports in 2010, comprising \$3.4 billion or 62% of the State's services exports.
 - In 2010, there were 1,973 Indonesian student enrolments in Western Australia. Of these, 398 Indonesian enrolments were in vocational education and training and 1,229 in higher education study.
- Western 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 – MIDLAND BRICK

Middle Swan-based Midland Brick is Western Australia's largest brick maker and employs around 550 people. Since the early 1980s, the company has established successful export markets in countries including Brunei, China, Indonesia, Japan, Republic of Korea, New Zealand, United Arab Emirates, the UK and US.

More recently, the company's products were used in the construction of the Australian pavilion at the Shanghai World Expo 2010 and the new Resorts World Sentosa hotel and casino complex in Singapore.

On entry-into-force of AANZFTA for Indonesia, 5% and 10% tariffs will be eliminated on articles of stone, plaster, cement, mica or similar materials that are exported from Australia to Indonesia. Tariffs of 10% will be eliminated on entry-into-force. Tariffs of 15% will be reduced to 3% from entry-into-force and eliminated in 2013.