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

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 on 10 January 2012 presents an opportunity to grow further our trade and investment relationship.

1. Trade in Goods

On AANZFTA's entry into force for Indonesia in 2012, 80% of Australia's current exports to Indonesia will enjoy tariff-free treatment, up from 56% at present. Australia will enjoy tariff-free treatment on 78% of Indonesia's tariff lines, compared with 11% currently. By 2015, tariffs on 92% of tariff lines will be zero and this will increase to 94% by 2025, by which time 92% of Australia's current exports will enjoy tariff-free treatment.

Trade outcomes for key Australian exports to Indonesia:

Product	Value of Australian exports to Indonesia in 2010 (A$)	AANZFTA Tariff outcome
Wheat	$969 million	tariffs of 0% bound from entry into force
Live animals	$318 million	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
Cotton	$205 million	tariffs on raw cotton bound at 0% and tariffs of 5% on cotton waste and cotton yarn eliminated from entry into force
Aluminium	$203 million	tariffs of 5% and 10% eliminated from entry into force; tariffs of 20% and 15% reduced to 5% and 3% from entry into force and eliminated by 2015
Beef	$174 million	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; tariffs of 5% on boneless, fresh, chilled or frozen beef eliminated in 2020

Grinding balls of iron or steel	$61 million	tariffs of 5% and 10% eliminated from entry into force
Pharmaceuticals for retail sale	$32 million	tariffs of 5% eliminated from entry into force
Motor vehicle parts and accessories (miscellaneous)	$31 million	most tariffs of 15% eliminated by 2014
Butter and most cheeses	$20 million	tariffs of 5% eliminated from entry into force
Fresh grapes	$19 million	tariffs of 5% eliminated from entry into force
Miscellaneous chemical products (reaction initiators)	$16 million	tariffs of 5% eliminated from entry into force

2. Trade in Services and Investment

Australia's services exports to Indonesia were worth $3 billion in 2010, accounting for 17% of services trade with ASEAN. Services exporters are in a strong position to access the growing services markets in Indonesia. AANZFTA contains a built-in review provision for further improvements to be negotiated over time as ASEAN countries progressively liberalise their services sectors.

Travel and Education were Australia's top services exports to Indonesia in 2010. In 2010, there were more than 18,378 Indonesian student enrolments in Australia, mainly in higher education study and Vocational Education and Training.

Indonesia made the following commitments under 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 (up from 49% in the WTO);
- in **construction** services, to allow joint ventures with aggregate foreign equity of 55% (up from 49% in the WTO); and
- in **education services**, to allow 49% foreign equity in educational institutions established with a local partner (unbound in the WTO).