

Paul Griffiths
Director
Indonesia-Australia FTA Feasibility Study
Department of Foreign Affairs and Trade
RG Casey Building
BARTON ACT

Dear Paul

Thank you for the opportunity to provide input into the bilateral feasibility study with Indonesia. We see the FTA as a positive development for our business in Indonesia. Oxiana has recently announced that it will invest US\$310 million in the Martabe Project in North Sumatra and we have strong growth projections for mining opportunities more broadly in the country. A high quality FTA between Indonesia and Australia would increase the profile of Australia in the Indonesian market and build support for Australian investments in the country.

The mining sector is an important industry sector in the bilateral trade and investment relationship. The sector accounts for a significant amount of bilateral trade with gold, oil, aluminium and other metals featuring among the top traded commodities and mining projects dominating the \$3.1 billion investment component of the relationship. Our experience in other parts of Asia has demonstrated that mining investment can often act as a catalyst for growth in a broader range of areas, as large projects provide an attractive incentive for other Australian companies to invest in emerging markets. It would be good to see the significance of this sector reflected in any eventual FTA.

The Indonesia-Australia FTA should look at achieving strong outcomes on tariffs on equipment directly used in the mining sector; services such as the financial, legal and accounting sectors which support large foreign investments; and other subsidiary areas. Large foreign investments use a vast range of local and imported goods and services often equivalent to the needs of a small town. Liberalisation in these areas will be of significant assistance to Australian and Indonesian mining companies. Both countries have a long established tradition of mining that can only be strengthened by closer economic cooperation in these areas.

We would welcome an FTA that includes a modern chapter on investment. We have had a very positive experience in developing our current investment in Indonesia. A focus on ways in which the bilateral investment environment can be improved can only benefit the growing investment relationship between Indonesia and Australia. Lower barriers to investment, mutual commitments to transparency and information sharing will make it easier for companies from both countries to enter each others markets and conduct operations as efficiently as possible.

We are mindful that many of these objectives may also be the subject of negotiations in other forums such as the ASEAN-ANZ FTA negotiations or the ongoing World Trade Organization Doha Round negotiations. The Indonesia-Australia FTA could add value to this process by providing a framework

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for greater cooperation between Australian and Indonesian agencies and by providing technical assistance and capacity building in areas where there are mutual advantages – in the mining sector this could include technical mining areas as well as in education, vocational training, environment, climate change, social and community approaches to natural resource issues. There are a number of areas where both our countries could benefit from a closer dialogue on industry issues. Australia's mining industry is technologically advanced and a world leader in many areas. By using the FTA to highlight these competitive advantages it should bring immediate benefits to our mining services, and industry education providers as well as have spin-offs for large investors.

We are enthusiastic about initiatives such as the FTA that are designed to improve Australia's bilateral relationship with Indonesia, and we would be keen to participate in the feasibility study where appropriate.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Peter Albert', followed by a period.

Peter Albert
Executive General Manager - Asia