

INDONESIA-AUSTRALIA

COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT



Why has the Australian Government negotiated a comprehensive economic partnership agreement with Indonesia?

Indonesia is the largest economy in South-East Asia and the 16th largest economy in the world. Australia's trade with Indonesia was worth \$17.6 billion in 2018, making Indonesia our 14th largest two-way trading partner.

Indonesia's economy has grown by at least five per cent in recent years, and continuing that trend will see its GDP double every fifteen years, thus putting the country on track to become the world's fourth largest economy¹ by 2050, as measured by nominal GDP.

Indonesia is a youthful country, with around 44 per cent of the population aged under 25 in 2017. Its population of 264 million people boasts a growing middle class (52 million people and rising)² and a steadily declining poverty rate, having fallen approximately six per cent in the past ten years down to 10.6 percentage points in 2017.

There is considerable opportunity for Australia to expand its trade, investment and economic cooperation with Indonesia. The Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) will shape the bilateral relationship for decades to come, creating the framework for a new chapter of closer economic engagement between Australia and Indonesia and opening new markets and opportunities for businesses, primary producers, service providers and investors.

- IA-CEPA will address impediments to bilateral trade, including both tariff and non-tariff barriers.
- IA-CEPA will improve access to each other's services markets and address impediments to increasing Australian investment in Indonesia and Indonesian investment in Australia.
- Economic cooperation under IA-CEPA will assist in the implementation of the agreement, support trade facilitation and provide a pathway for future liberalisation.

Market Snapshot

GDP (2018)	GDP per capita (2018)	GDP growth (2018)	Trade with Australia (2018)
USD 1.02 trillion	US 3,871	5.2 per cent	AUD 17.6 billion

¹ The Economist Intelligence Unit Limited, **Long-term macroeconomic forecasts** Key trends to 2050 2015. p.3

² <http://www.worldbank.org/en/news/press-release/2017/12/04/indonesia-middle-class-vital-for-the-country-future>



Goods

Australia's goods trade with Indonesia was worth \$11.8 billion in 2018. Over 99 per cent of Australian goods exports to Indonesia will enter duty free or under significantly improved and preferential arrangements once IA-CEPA is fully implemented. Australia will immediately eliminate all remaining tariffs on imports from Indonesia.

- **Agricultural** products (such as wheat, live animals and sugar) are among Australia's key merchandise exports to Indonesia, valued at an estimated \$2.8 billion in 2018. IA-CEPA will improve access to the Indonesian market for key agricultural products and help Australian farmers gain more of this important market.

Services

Two-way trade in services was valued at \$5.8 billion in 2018. Education is Australia's key services export to Indonesia (\$899 million in 2018) and recreational travel is our main services import from Indonesia.

- Indonesia has committed to allow Australian suppliers of **technical and vocational education and training** to provide services through majority Australian-owned business in Indonesia.
- Under IA-CEPA, Indonesia has guaranteed access for majority Australian-owned companies to invest in assets and supply a range of **mining and energy related services**.
- Australian **tourism** companies will be able to take majority stakes in a range of Indonesian hospitality businesses as well as provide cross-border services.

Investment

The Asian Development Bank reports³ that Indonesia needs approximately USD 1,108 billion (baseline) and 1,229 billion (Climate adjusted) (in 2015 dollars) to meet its investment needs, including investment to improve infrastructure, which is vital to achieving future growth. Australian companies are among the leading investors in Indonesia's resources and energy sector.

Two-way investment between Australia and Indonesia was valued at \$6.7 billion in 2018, with Australian investment in Indonesia at \$5.6 billion and Indonesian investment in Australia just over \$1.0 billion.

- Indonesia has guaranteed that majority Australian-owned business can operate **railways and road transport infrastructure** in the country.

Ease of doing business

IA-CEPA will build on the benefits of the ASEAN-Australia-New Zealand FTA (AANZFTA) by reducing non-tariff barriers to trade and simplifying paperwork.

- IA-CEPA contains a mechanism to support business by reviewing non-tariff measures (NTMs) and recommending solutions to overcome unnecessary obstacles to trade. IA-CEPA also establishes sub-committees to discuss sanitary and phytosanitary measures and technical barriers to trade.
- Trade facilitation measures under IA-CEPA will enable approved exporters to make Declarations of Origin, rather than requiring a Certificate of Origin. The Product Specific Rules of Origin under IA-CEPA improve on those for AANZFTA for many products, including to support the timely release of perishable goods.

³ ADB. 2017. *Meeting Asia's Infrastructure Needs*. Manila. © ADB. P. 43