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AMBASSADOR  
REPUBLIC OF INDONESIA  
CANBERRA

No. 43/KEPPR1/X1/09

Janelle Saffin MP  
Chair of the Trade Sub-Committee

Dear Ms. Saffin,

With reference to your letter of 2 October 2009, I am pleased to share with you of the following observation on ways to improve the trade and investment relationship between Australia and Indonesia:

1. With regard to economic relations, particularly in trade and investment, both governments recognise that Indonesia and Australia have yet to maximise their potential collaboration. The total trade (merchandise and service) of Indonesia-Australia in 2008 reached A\$ 11.229 million. Indonesia is neither listed as Australia's top ten import sources nor as Australia's top ten two-way trading partners. Australian investment in Indonesia was worth an estimated A\$3.9 billion in 2008 and more than 400 Australian companies are operating in Indonesia in sectors including mining, construction, finance, food and beverage and transport.
2. Admittedly, the two economies have substantially differences in levels of development, structure and international specialization. The Joint Feasibility Study on Bilateral FTA, completed in February 2009, shows that a comprehensive FTA, of which is consistent with WTO rules and APEC goals and principles for liberalizing regional trade and investment, would provide worthwhile economic benefits for both countries. The greatest gains would be achieved under an FTA that would *eliminate all tariff and non-tariff barriers to bilateral trade and investment*. The study also found that an FTA, which covers trade, investment and capacity building issues, would be an opportunity to build a new economic partnership between Indonesia and Australia.
3. In addition to the expected economic benefits, enhanced bilateral cooperation between the two economies arising from a bilateral FTA would provide an opportunity to minimise transaction

cost associated with bilateral trade and investment. In particular, an FTA would be expected to strengthen cooperation in variety of trade related areas :

- a. Custom procedures;
  - b. Sanitary and phytosanitary measures;
  - c. Technical regulations and standards;
  - d. Intellectual property rights; and
  - e. Electronic commerce.
4. ASEAN-Australia-New Zealand FTA is also another mechanism believed to be able to promote relations between Australia with the ASEAN countries, including Indonesia. The FTA negotiated by ASEAN, Australia and New Zealand (AANZFTA), which will substantially reduce existing tariff and non tariff barriers to trade between Australia and ASEAN will expand and deepen regional economic integration, including between Indonesia and Australia. About 93% of the value of Indonesian exports to Australia (U.S. \$ 2.4 billion) in the form of textiles, wood materials for furniture, paper, nickel and shoes will be subject to zero percent import duty on the period 2009-2010. Australian commodity tariff costs will drop 13% (in stages) in 2009-2015.
5. Cooperation in the Working Group on Trade, Industry and Investment under the framework of Australia-Indonesia Ministerial Forum to be maximized based on mutually beneficial collaboration.
6. Both governments need to support the activities of the Australia Indonesia Business Council and its sister organization in Indonesia, the Indonesia Australia Business Council.

I share the view that we can improve our trade and investment relations. In this regard we have to work closely as close neighbours cannot do otherwise.

Sincerely



Primo Alui Joelianto