

Barton Deakin Brief: Indonesia-Australia Comprehensive Economic Partnership Agreement

4 March 2019

Today, Trade Minister Simon Birmingham formally signed a free trade agreement with Indonesian Trade Minister Enggartiasno Lukita in Jakarta. The Indonesia-Australia Comprehensive Economic Partnership Agreement reduces tariffs and other trade restrictions between the two countries and has been in the negotiation phase for more than six years.

Details of the Deal

The deal is forecast to be worth \$35 billion to the economies of Australia and Indonesia. According to the Australian Trade Minister, it is a “central pillar” of the strategic relationship between the countries.

Pursuant to the Coalition Government’s support of this deal, the free trade agreement has the potential to deepen economic links, strengthen diplomatic ties and foster agricultural connectivity between Australia and Indonesia. By 2020, 99 per cent of Australian goods exported to Indonesia will be duty free or subject to significantly improved preferential trade arrangements. All tariffs on Indonesian textiles, coffee and other goods imported into Australia will be eliminated as a provision of the agreement. All of Indonesia’s goods exports will enter Australia duty-free. Further, eligible Indonesians will be given six-month work and training opportunities in Australia. The allocation of working holiday visas is also set to rise.

Other service industries including mining, tourism, education, telecommunications and transport are also expected to benefit from this deal. The agreement presents Australian businesses, particularly in these sectors, with significant opportunity, as Indonesia is set to become the world’s fifth largest economy by 2030. President of the Australia Indonesia Business Council, Mr Phil Turtle has expressed his support of this agreement and the mutual benefits it will provide for both countries.

Key long-term outcomes for Australia:

- Elimination of tariffs on frozen beef and sheep meat
- 4% annual growth in exports of live cattle
- 5% reduction to tariffs on sugar
- 67% Australian ownership for the supply of technical and vocational training
- 67% Australian ownership of contract mining services, aged care facilities, telecommunications and construction services, among others.

It is expected that this deal will help remove uncertainty in the Indonesian market, which previously existed due to consistent regulatory changes. Fixed import permits have been part of the negotiations between Australia and Indonesia under the deal and will encourage greater levels of market trust and stability for exporters.



Tensions between Australia and Indonesia in late 2018 followed Prime Minister Scott Morrison's consideration of moving the Australian embassy in Israel from Tel Aviv to Jerusalem. Indonesia is a strong supporter of the Palestinian territories and had expressed concerns about the ramifications of Australia choosing to move the embassy.

Trade unions around Australia have spoken out against the deal and have stated their intention to lobby a future Labor government to abandon the agreement, despite the proposed benefits to Australian farmers, businesses and the broader economy.

To read more information about the agreement, click [here](#).

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