

Indonesia and Chile Sign Comprehensive Trade Agreement and the country could become an important trade partner.

After more than 3 years of negotiations, the Chilean Foreign Trade Minister, Hernando Muñoz and the Indonesian Trade Minister, Enggartiasto Lukita have signed the Indonesia-Chile Comprehensive



Economic Partnership Agreement (CEPA), on the 14th December 2017. which will be ratified by the parliaments of both countries.

This agreement is the first trade agreement of Indonesia with a Latin American country, which will allow Chile to open one of the biggest market of the Asia Pacific, that nowadays is positioned as the sixteenth world economy and the fourth nation with the largest population, 259 million inhabitants, according to figures of 2016.

One of the unanswered question after this agreement is if Indonesia could become one of the main Chile's trade partner, even to surpass China in a near future. On that subject, Paulina Nazal, General Director of International Economic Affairs (Direcon - The General Directorate of International Economic Relations) mentioned that "evidently, in terms of population, China will keep on being a market with an endless potential for Chile and an important buyer of our main export product: copper. In this regard, if we compare exported amounts, China will continue being, at least in a medium term, the main trade partner of our country. However, we expect Indonesia will keep increasing in bilateral importance, in terms of commercial exchange".

Expectations are in the Indonesian industry, because it is ranked 16th among the world economies, with a GDP that reaches more than US\$932 thousand million, equivalent to 3,5 times the Chilean GDP.

Likewise, its GDP annual growth rate has been 5%, during the last three years.

Non-tariff barrier for 9,308 products

CEPA had been negotiated since 2014 and was reactivated in 2016, during APEC and then resumed in March 2017. IC CEPA will eliminate Indonesia's import tariff to 0% against 9,308 tariff post of Indonesia which represents 93% of the Chilean export values to Indonesia, according to figures of 2016.

On the other side, CEPA will eliminate Chile's tariffs to 0% of Chile's 7,669 tariff lines, or covers 94.5% of Indonesia's export value to Chile in 2016. From these, 78% will be deducted when CEPA comes into force, 2,1% at the beginning of the fourth year of the agreement and 9,2% at year six.

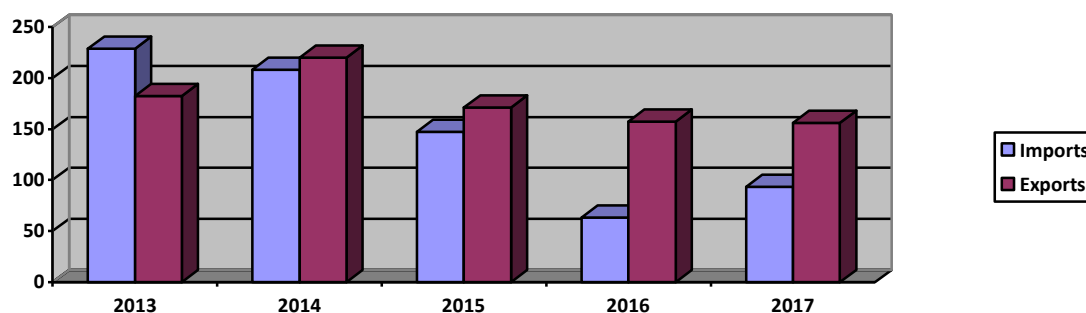
Nowadays, among the main products export to Indonesia are cellulose, fishmeal, fresh grapes, copper, fish oil, iron, wood, salmon, salt pepper, and fertilizers. These ten products together represent 87% of the shipment to Indonesia. However, with the signature of the agreement, it is expected an offer diversification, since import duty varies between 0% and 50%. It is expected an important decrease of the tariffs in some sectors, such as; fresh fruits, dried fruits, flowers, plants and sea products.

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In 2016, the total exports to Indonesia came to US\$63,1 million, which correspond to the shipment of 97 products exported by 131 companies. Consequently, Indonesia represents 10% of the non-copper Chilean exports to ASEAN. On the other side, 381 Chilean companies imported 884 products from Indonesia, equivalent to US\$157,2 million.

Evolution of the commercial exchange with Indonesia

Unit: million USD FOB



In addition to the elimination and reduction of tariffs, this agreement covers matters relating to Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT). SPS and TBT sub-committees will resolve the technical differences between the two parties in the future.

In addition, IC-CEPA regulates the rules of origin and customs procedures aimed at simplifying and harmonizing customs procedures. The agreement also covers legal issues consisting of dispute settlement and cooperation.

Even though Chile is a small country with a population of only 17.6 million, but the Indonesian government considers it a strategic partner because Chile has FTAs with dozens of countries, including in South America and Africa.

CEPA is the second bilateral free trade agreement after the Indonesia-Japan Economic Partnership Agreement signed in 2007. Currently, Indonesia is also negotiating several other bilateral free trade agreements, among others with Australia and the European Union as a priority of the Indonesian government. Another free trade agreement in which Indonesia has become party existed within the framework of ASEAN.

The implementation of IC-CEPA would commence soon after the exchange of ratification instruments is carried out by Indonesia and Chile. In the future, the two countries agreed to expand the IC-CEPA coverage, which currently only regulated trade in goods, to include trade in services and investment protection cooperation. For the Government of Indonesia, IC-CEPA is expected to further strengthen the implementation of Indonesian economic diplomacy in Latin America territory. (Source: Directorate for Law and Economic Agreement, Directorate General of HPI/Ministry of Foreign Affairs).

Analysis / Comments / Suggestion from DITP Santiago, Chile

Chile shares with the most countries in the Asia Pacific region mechanisms of political consultations and active cooperation scheme varied areas of the region.

- Currently remain in operation 12 embassies and 4 general consulates in Asia.
- Chile has established 14 Commercial Offices: Sydney, Beijing, Shanghai, Hong Kong, Guangzhou, Seúl, New Delhi, Jakarta, Tokyo, Kuala Lumpur, Singapore, Bangkok, Taipei and Ho Chi Minh.

Major achievements in Asia to date:

- China as a major trading partner
- Japan as the largest Asian investor in Chile
- South Korea as a trading partner of continued growth
- India as a new pole of large commercial opportunities
- Thailand and ASEAN countries as a new and promising aspects
- Indonesia as the first country to have a bilateral trade agreement with a South American country

In general terms, Chile continues to pursue market-oriented strategies, expand global commercial ties, and actively participate in international issues and hemispheric free trade.

Chile is a member of the Pacific Alliance, the Rio Group, an associate member of Mercosur, a full member of APEC, and a founding member of the Trans-Pacific Partnership and UNASUR. In 2010, Chile became the 31st member of the OECD, only the second Latin American country to join after Mexico.

Likewise, Chile is among the best countries of “Doing Business 2018”, according to the world Bank Group’s annual report. Chile is No. 2 in the Latin America rank, after Mexico, followed by Perú and Colombia and No. 55 in global rank, considering that from the countries we are in charge, Perú, Colombia and Ecuador are ranked No. 58, No. 59 and No. 118, respectively.

Finally, Chile has successfully negotiated Free Trade Agreements with 62 countries around the world. As such, competition is fierce, and Chile has given its nearly 18 million citizens unprecedented access to the world’s products and services. This offers a unique opportunity for Thai exporters interested in expanding their businesses in arguably the most open and stable market in Latin America.

Source: El Mercurio
DITP Santiago, Chile
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