Indonesia - Pakistan:
“Preferential Trade Agreement Enhancing Closer Partnership”

Jakarta, February 3rd, 2012 – The Minister of Trade of Indonesia H.E. Gita Wirjawan and Ambassador of the Islamic Republic of Pakistan H.E. Sanaullah, today (3/2) signed the Preferential Trade Agreement (PTA) between Indonesia and Pakistan at the Indonesian Ministry of Trade’s office in Jakarta.

“This agreement will benefits one of Indonesia’s main export product, CPO which has becoming more competitive in Pakistan's domestic market,” said Minister Gita.

In the past three years, Indonesia's CPO has not been able to seize the momentum in Pakistan’s competitive domestic market due to time setback in negotiating the FTA signing. This resulted in Indonesian's export of CPO to Pakistan decreased significantly from US$ 552 million in 2007 to US$ 91,2 million in 2010.

The PTA negotiation between the two countries went through a great deal of time consuming process, dated back on August 21st, 2002 when the Trade Ministers from the two countries took an early initiative to sign a Joint Statement on Comprehensive Economic Partnership (CEP), which leads to the formation of Free Trade Agreement (FTA).

In November 2005, Pakistan and Indonesia signed the Framework on Comprehensive Economic Partnership (FACEP) during the Indonesian’s President visit to Pakistan. Under the provisions of FACEP, both countries agreed to commence with PTA negotiations as the first step achieving a Free Trade Agreement as the final goal. To implement FACEP, the Trade Ministers agreed to establish a Trade Negotiation Committee (TNC).

It took six years and eight rounds of negotiation meetings for the two countries to come to an agreeable terms, offering benefits for the two to increase economic and trade partnership in the Asia Pacific region.

Under the PTA, Indonesia has agreed to offer market access to Pakistan on 216 tariff lines on preferential rate.

The list includes export products in the interest of Pakistan that are fresh fruits, cotton yarn, cotton fabrics, readymade garments, fans (ceiling, table, pedestal), sports goods (badminton and lawn tennis rackets), leather goods and other industrial products. Indonesia has also offered market access to Kinow (mandarin) and oranges from Pakistan at 0%, which will provide a level playing field to this product in the Indonesian market.

Pakistan has offered Indonesia a total of 287 tariff lines for market access at preferential tariff. It includes edible palm oil products (crude oil, palm stearin, RBD palm oil, Palm Olein, crude oil of palm kernel), sugar confectionary, cocoa product, consumer goods (toothpaste, soap, deodorant), chemicals (polycetals polycarbonates, sorbitol), tableware, kitchenware, rubber products, wood products, glassware products, and electronic products.
Among Pakistan’s concession is the same preferential treatment on edible palm oil products from Indonesia as provided to Malaysia under Pakistan Malaysia Free Trade Agreement. Therefore, Indonesia will export edible palm oil products at 15% margin of preference on the applied Most Favored Nation (MFN) tariff.

Pakistan’s economy being the second largest in the South Asia region after India and is one of the emerging markets in the world, highlights the strategic value of Pakistan to Indonesia.

Vice versa, Indonesia being an important member of ASEAN with the largest economy and a member of the G20 will be a good partner to enhance the two countries economic and trade relations in the Asia Pacific region.

“Going beyond bilateral gains, we believe that stronger relations between Indonesia and Pakistan also allow both countries to benefit from overall market optimism of the Asian region,” Minister Gita said. Meanwhile, Ambassador Sanaullah stated that, “Both sides have agreed to provide market access by granting tariff concessions and removing non-tariff barriers and also help both countries to match the economic and trade relations to their true potential.”

The Agreement shall commence 30 days after the date on which the Parties exchange written notifications for completion of their respective legal procedures.

**Trade between Indonesia – Pakistan at a Glance**

According to Indonesian statistics, trade between Indonesia and Pakistan in 2010 amounted to US$ 787.4 million, with a declining trend of -2.33 % for the past five years. However, the trade performance showed a strong recovery in the period of January- November of 2011, booked the amount of US$ 1.018 billion and representing a 50.18 % year-on-year growth. The trade size of US$ 1 billion clearly does not reflect the potentials owned by the two countries.

**The commodities traded each other in 2010 includes:**

Indonesia’s exports to Pakistan consist of coal, briquettes, ovoids & similar solid fuels manufactured from coal (US$ 229,5 million); Nuts nes (US$ 63,5 million); Palm oil & its fraction (US$ 40,6 million); Artificial staple fibres, not carded (US$ 40,6 million); Uncoated paper for writing, printing, etc. (US$ 30 million).

On the other hand, Indonesia’s major imports from Pakistan are cotton, not carded or combed (US$ 20,6 million); Woven cotton fabrics, 85% or more cotton, weight over 200 g/m2 (US$ 10,1 million); Woven fab of syn stapl fib(US$ 6 million); Leather further prepared after tanning orcrusting (US$ 4,8million); Cotton yarn (not sewing thread) 85% or more cotton, not retail (US$4,7 million).

---end---

**For further information please contact:**

Pradnyawati  
Director of Bilateral Cooperation  
DG of International Trade Cooperation  
Ministry of Trade  
Telp/Fax: 021-3442576/021-3858206  
Email: pradnyawati@kemendag.go.id

Mr. Saeed Javed  
First Secretary (Press) for Pakistan Embassy in Jakarta  
Telp: 021-357851836/7  
HP: 081213017569