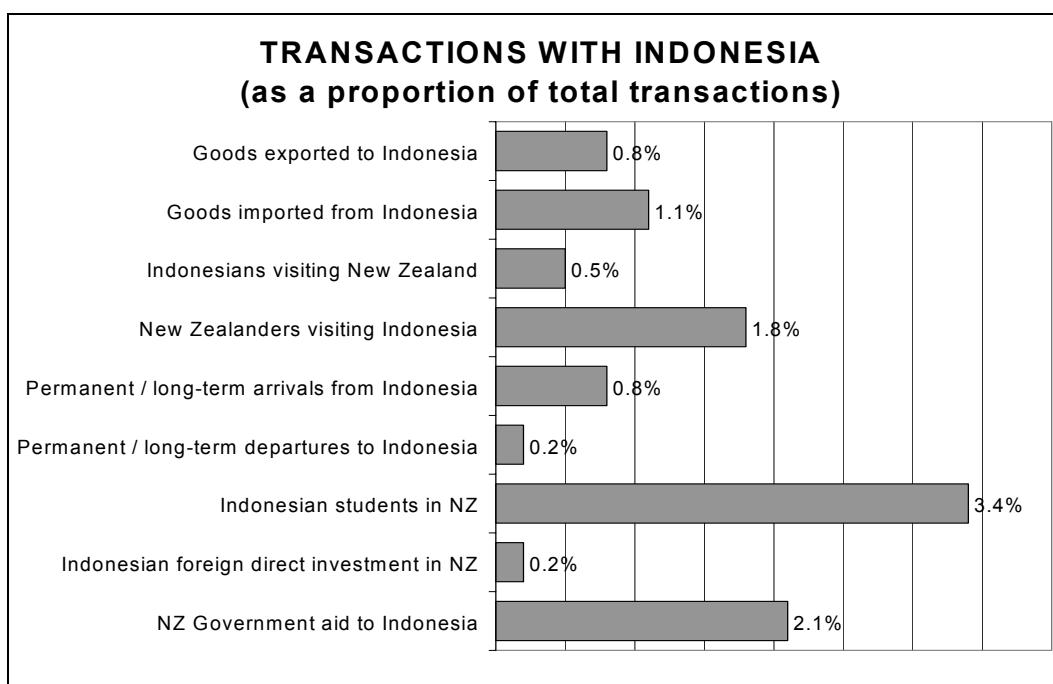




1999/2 16 September 1999

New Zealand's economic relationship with Indonesia



Source: Statistics New Zealand, Ministry of Education, Overseas Investment Commission; Ministry of Foreign Affairs and Trade

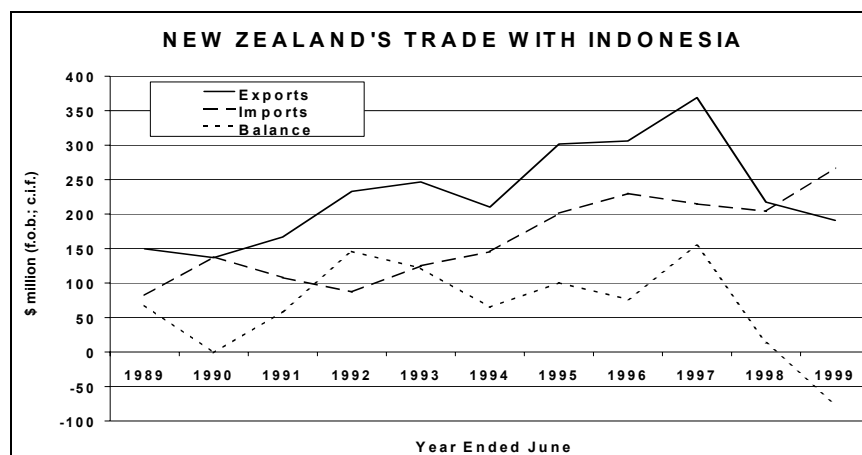
Executive Summary

For many New Zealanders, Indonesia is more significant as a tourist destination than as a trading partner. Trade with Indonesia has fallen considerably since the Asian economic crisis. While Indonesia is not currently a significant export market for New Zealand, it is a key country in Asia, and Asia is an important source of future trade growth for New Zealand.

- Indonesia is New Zealand's 20th largest export market, taking 0.8% of all exports.
- New Zealand imports from Indonesia currently exceed exports to it.
- Only 0.5% of all visitors to New Zealand are from Indonesia, but 1.8% of New Zealanders visiting overseas stop at Indonesia.
- Indonesians make up 3.4% of all overseas students in New Zealand.
- Foreign investment from Indonesia represents only 0.2% of all foreign investment in New Zealand.
- 2.1% of the New Zealand government's official development assistance goes to Indonesia.

Merchandise Trade

Recent New Zealand exports to Indonesia are less than imports from them.



Source: Statistics New Zealand

New Zealand exported \$191 million worth of goods to Indonesia in the year ending June 1999. This represents 0.8% of all New Zealand's exports, making Indonesia the 20th largest export market.

Goods imported from Indonesia over the same period were worth \$267 million. This represents 1.1% of all imports into New Zealand, making Indonesia the 17th largest source of imports.

Over the last two years, there has been a marked turnaround of the trade balance with Indonesia. This reflects the financial and economic crisis in Indonesia since mid 1997.

The main products traded with Indonesia are shown in the following two tables. Dairy and forestry products are the major exports. The major imports are forestry products, textiles/clothing, and plastic/rubber products. It is curious that forestry dominates both exports and imports. New Zealand's forestry exports to Indonesia are mainly wood pulp, and imports are mainly paper. Trade with Indonesia makes up a somewhat higher percentage for some product types. For example, exports to Indonesia made up 6.1% of "animal-originated products (not elsewhere specified)"¹, and Indonesia was the source of 10.5% and 8.2% respectively of imports of "coffee, tea and spices" and forestry products.

Table 1: Main products exported to Indonesia (year ended June 1999)

HS Code	Product	Value (\$m; fob)	Percent of all Exports
04	Dairy produce; eggs; honey	75.9	2.0
44-48	Forest products	54.4	2.3
05	Animal-originated products (nes) ¹	16.8	6.1
72-80	Metal & metal products	7.1	0.5
02	Meat & meat offal	5.0	0.2
	Other	31.7	0.3
	TOTAL	190.8	0.8

¹ Most of this was the export of bones (raw and/or processed).

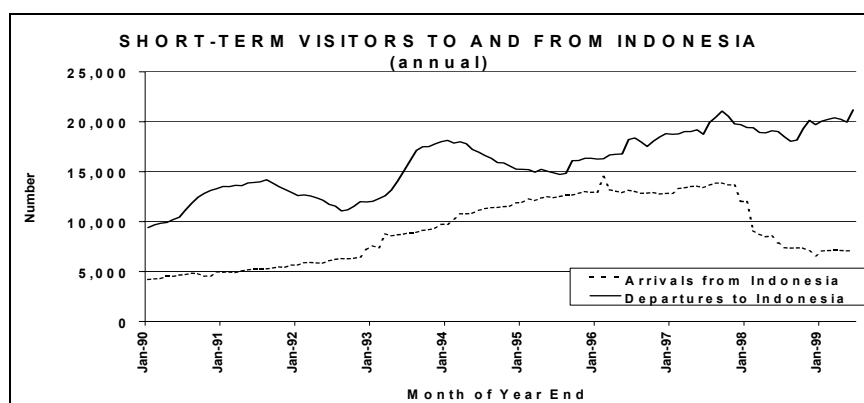
Table 2: Main products imported from Indonesia (year ended June 1999)

HS Code	Product	Value (\$m; cif)	Percent of all Imports
44-48	Forest products	73.6	8.2
57-64	Textiles, clothing, footwear	31.4	2.7
39-40	Plastic/rubber	29.6	2.3
85	Electrical equipment	15.3	0.6
69-70	Glass; glassware; ceramics	12.4	4.5
27	Mineral fuels/oils	9.8	0.7
09	Coffee; tea; spices	8.2	10.5
	Other	86.4	2.5
	TOTAL	266.8	1.1

Source: Statistics New Zealand

New Zealand makes up a considerably smaller part of Indonesia's trade figures. New Zealand's exports were equivalent to 0.5% of all goods imported into Indonesia in 1997, and the imports were 0.2% of all goods exported from Indonesia. These were 1.6% and 0.9% respectively of New Zealand's exports and imports.²

Visitors and migrants



Source: Statistics New Zealand

Considerably more New Zealanders visit Indonesia than the number of Indonesians visiting New Zealand.

In the year to June 1999, 21,177 people visited Indonesia from New Zealand. This represents 1.8% of all people departing on overseas visits. Of these visitors, 82% were on holiday, 5% were visiting friends or relatives, and 10% were on business.

Indonesian visitors to New Zealand were considerably fewer, numbering 7,095 over the same period. This represents 0.5% of all visitors to New Zealand. The figure is almost half that from before the Asian economic crisis. Of these visitors, 53% were on holiday, 26% were visiting friends or relatives, and 7% were on business.

In the same year, there were 129 permanent or long-term departures to Indonesia, and 463 such arrivals from Indonesia. These make up 0.2% and 0.8% respectively of all permanent and long-term departures and arrivals.

² Source: IMF's *Direction of trade statistics yearbook 1998*, p.254.

The number of arrivals has consistently grown over the last few years. June 1999 year arrivals were 15% higher than the previous year. Departures to Indonesia have increased from 23 in the year ended June 1997, to 129 in the year ended June 1999.

International students Indonesians made up 3.4% of all overseas students in New Zealand in July 1998. Further details are given in the following table.

1 July	School	Post-school	Total
1994	81	197	278
1995	111	226	337
1996	101	244	345
1997	155	353	508
1998	130	312	442

Source: Ministry of Education

These students generate about \$5 million worth of fees revenue alone.³ They also purchase New Zealand goods while they are here, and pay for board and lodging.

Foreign Investment As at 31 March 1998, Indonesia had \$140 million worth of direct investment in New Zealand. This represented 0.2% of all foreign direct investment. Statistics New Zealand data on New Zealand's direct invest in Indonesia is not available for reasons of confidentiality, nor is data on Indonesia's direct investment here in previous years. (Source: *Statistics New Zealand*)

The number of approvals the Overseas Investment Commission has given for Indonesian investment in New Zealand is as follows.

Calendar Year	Number (Indonesia)	Value (\$m; Indonesia)	Value (% total)
1994	0	0	0.0
1995	1	80.5	1.6
1996	1	0.5	0.0
1997	0	0	0.0
1998	3	1.9	0.0
94-98	5	82.8	0.2

Source: Overseas Investment Commission

Foreign aid New Zealand gave \$5.0 million worth of bilateral official development assistance to Indonesia in 1998. This was equivalent to 2.1% of total official development assistance from the New Zealand government.

	NZ's ODA to Indonesia
1994	\$4.9 million
1995	\$3.7 million
1996	\$4.6 million
1997	\$5.0 million
1998	\$5.0 million

Source: Ministry of Foreign Affairs and Trade

³ This is based on a Statistics New Zealand estimate of average fees of \$8,000 for foreign fee-paying secondary school students, and \$12,000 for tertiary students.

Conclusion The information above indicates that Indonesia is a relatively minor source of foreign exchange earnings and investment. However, for some product types, it takes a greater percentage of our exports than it does overall.

Despite the relatively low level of economic interdependence shown above, recent data needs to be put into context. First of all, New Zealand's earnings from exporting goods and services to Indonesia are still worth hundreds of millions of dollars. Second, the Asian economic crisis has had a considerable impact on Indonesia and on its ability to purchase goods and services from other countries. As Indonesia recovers, it will purchase more from its trading partners. And third, Indonesia is a prominent member of ASEAN and of the Asian economic bloc generally. As such, it is part of what has been a fast-growing and dynamic part of the world, and one which is likely to be a major driver of future New Zealand foreign exchange earnings.

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