

ECONOMICS AND INDUSTRY STANDING COMMITTEE

Fifth Report — A long-term partnership: Developing stronger ties with Indonesia—Western Australia's bilateral trade and investment relationship with the Republic of Indonesia — Tabling

MR P.C. TINLEY (Willagee) [10.17 am]: I thank the house for the opportunity to table this report. I present for tabling the fifth report of the Economics and Industry Standing Committee titled *A long-term partnership: Developing stronger ties with Indonesia—Western Australia's bilateral trade and investment relationship with the Republic of Indonesia*.

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Mr P.C. TINLEY: As I always do when tabling reports, I begin by acknowledging the work done by not only the committee but also the very hardworking staff. We were a bit challenged in so much as two things happened. The first was that we had a very hardworking research officer, Dr Alessandro Silvestri, until June. He was on only a short-term contract and unfortunately his contract finished. His tasks were ably taken up by Ms Franchesca Walker. I thank them both for the work that they did. It was particularly difficult for Alessandro to leave the job before it was done and for Franchesca to pick up where he had left off. This was all done under the leadership of our principal research officer, Vanessa Beckingham. I thank Vanessa for her leadership. The second contributing issue—this is a tip for young players with committee work—was that we started an inquiry before we had finished the other. When committees do that, they can expect the staff to be extra taxed in terms of effort and output. The committee started the gas inquiry before it completely wound up its work on the report before the house, but it got there through the hard work of not only the committee staff, but also members of the committee. I would like to thank my fellow committee members: the deputy chair, the member for North West Central, Merome Beard; a former member, Mr Vince Catania, who, although he left on 8 August last year, had input into this report; the member for Cockburn, David Scaife; the member for Joondalup, Emily Hamilton; the member for Kalgoorlie, Ali Kent; and the member for Riverton, Dr Jags Krishnan, before he was elevated to the executive government in February this year. As members can see, a few members came off the pine and onto the playing field, starting when they had the chance. The member for North West Central was elected to Parliament and then came straight into committee work that can be quite complex at times and confusing if people are not familiar with it. I also acknowledge the member for Kalgoorlie for her work on her first committee, and the first report she was involved in, being appointed to the committee in February this year. It was good to work with everyone and identify opportunities.

In many ways, this report could have written itself insofar as any observation of the relationship between Western Australia and Indonesia will always have a fond history but a better future. It has always been characterised as having great potential. In large part, the committee found that the potential is yet to be realised in its full form. It is not without any sense of irony, but we are tabling this report on the seventeenth of this month, which is Indonesia's Independence Day, commemorating its independence in 1945. Post the Second World War, it was decided that colonialism was falling away in countries across the world and Indonesia was no exception. Since that time, we have seen a growth trajectory in its society and democracy that allows it to achieve its full potential. We have witnessed a growth story ever since.

We often hear—it is almost a cliché—that Indonesia will be the fifth-largest economy in the world by 2030. That is an important point because it sets the tone by which we can characterise the potential relationship between Australia, with Western Australia leading that charge, and Indonesia, our closest neighbour. We often talk about Perth being the most isolated city in the world, but it is not; that is only in relation to its capital. Perth is closer to Jakarta than Canberra. As the sole representative of the commonwealth of Australia in the Indian Ocean, we should take more seriously our responsibility to engage with Indonesia and be an expert in the commonwealth about relationships with Indonesia at a societal level, at an enterprise level and at a government level.

This inquiry has a long history. This report identifies that. It is a good story that is starting to gain a lot more momentum. The Indonesia–Australia Comprehensive Economic Partnership Agreement, the free trade agreement with Indonesia, is a good example of that as an inflection point by which we might observe future opportunities. The committee found that it has taken time for IA-CEPA and the regulations around it to seep through all layers of the bureaucracy, both here in Australia and of course in Indonesia, to ensure that we see the free flow of goods and services identified in that free trade agreement between us.

We heard some stories from the trenches, if you like, of different enterprises experiencing difficulties doing business in Indonesia. Similarly, we identified that the inbound investment opportunities from Indonesia as a genuine foreign direct investor in our resource sector alone, let alone other sectors such as agriculture, is underdone simply because we do not quite understand each other well enough. A load of work is being done between the various organisations, including the Chamber of Commerce and Industry WA, with the Australia Indonesia Business Council being the principal lead, and the Consulate General of the Republic of Indonesia in Western Australia being an outstanding advocate for relations in Indonesia.

As the committee found, we need to understand where Indonesia sits. The Indo-Pacific region has never been more important since the Second World War. Talking about the Indo-Pacific pivot, if you like, during the Obama years and in consequential administrations, the United States identified that this region has been essential to it re-engaging, as it has been singularly drawn to west Asia. It is time for us to ensure that we find the opportunities through schemes such as AUKUS with the United States to participate more in the region, not just in a military context. The United States and the Australian government are well aware of the geopolitical dynamic. Stronger relations between Indonesia and Australia on any level will always create the goodwill required to ensure that the security of the region is maintained and enhanced.

We observed that the rise of China, like everywhere else in our society and our economy, is a fundamental factor of Western Australia's economic benefit and future. Much of what we are seeing in our region is the accommodation of the rise of a superpower. That is not always smooth and it will not always be met by like minds. As we saw with the previous federal government, it can sometimes find a rocky shoal by which it might rest for a long time. The Albanese government is taking great strides in repairing that relationship and putting it back into a position in which we can benefit each other. Certainly for the Western Australian economy, as we all know, the rise of China has created the opportunity for so many Western Australians to gain meaningful employment.

I will not go through much of the report other than to say that in general terms the committee found a question of priorities for Western Australia. We have a finite number of resources to undertake trade and investment and relationship opportunities with Indonesia. It has to be prioritised relative to the rest of the regions, as I just mentioned, which is a dynamic place. The terms ASEAN—the Association of Southeast Asian Nations—and Asia are unhelpful. Indonesia and Vietnam have quite different societies and are quite different countries. They have quite different economies, but are equally deserving of Western Australia making an effort to ensure that our business and our community, and the diaspora that is here as well, finds the right sort of connection with those countries.

The general view of the committee was that we were torn between two general points: that is, either a narrowcast approach from a state into Indonesia and really work hard on that diversified economy model, which found a lot of voice through the sister-state relationship with East Java; or do we go for the broad view that is held right across the country but typically finds a nest in the sectoral areas such as agriculture, mining services et cetera? As members might have guessed, the committee ended with the general view that we can do both but we need to do more than what we are doing at the moment. The committee was of the view that the ASEAN hub-and-spoke model around centralising trade commissioners and then spread through the region had limited effect, although it is a bit early to see how that has gone. The COVID-19 pandemic interrupted the deployment of the Indonesian trade commissioner, in particular. We also felt that if we took Indonesia seriously in a priority sense as the near target, the near opportunity, we would double down on our commitment and concentration of total government commitment to East Java, the sister-state relationship, and potentially put another trade commissioner in the hub of East Java, which is Surabaya, one of the richest parts of Indonesia for the purposes of its economic growth.

There are many challenges, but I suppose it is, in general terms, “steady as she goes.” There is always an opportunity for improvement. As I said, the report highlights the idea of a more cogent, specific and detailed deep strategy to exploit opportunities with Indonesia and help Indonesians to understand the opportunities here in Western Australia. The report is shining a light rather than uncovering a disaster or any other sort of negative commentary. It was very much framed around the idea of how we can see this as an opportunity and not a risk. I commend the report to all members.

MS E.L. HAMILTON (Joondalup) [10.29 am]: I rise to make some comments on the Economics and Industry Standing Committee's report titled *A long-term partnership: Developing stronger ties with Indonesia—Western Australia's bilateral trade and investment relationship with the Republic of Indonesia*. Before I do so, I take a moment to acknowledge that today, 17 August, is Indonesian Independence Day. I wish all members of our Indonesian community here and abroad a very happy Indonesian Independence Day.

Our previous inquiry looked into the intergenerational challenges and opportunities for the Western Australian economy to 2041. It provided a snapshot of WA's economy as it stands today and a broad focus on what is needed to ensure that we continue to have a strong economy into the future. During that inquiry, it became clear that we need to ensure that WA is working towards diversifying our economy and is mindful and proactive in acknowledging that we cannot simply continue to rely on our resources sector and particularly on iron ore. Findings from that report concluded that WA is very well positioned both geographically and strategically to provide opportunities to nurture relationships and trade relationships with other countries in our region.

The most recent inquiry builds on that previous inquiry and is narrowly focused on Indonesia and the immense opportunity to positively impact our WA economy. What became abundantly clear through the course of this inquiry was the importance that Indonesia places on relationships—government to government, business to business and people to people. Those relationships really affect every aspect of Indonesian life, trade and investment and are at the core of Indonesian culture. It is important to acknowledge that it seeks not just a transactional relationship, but rather a meaningful and nurtured relationship that is built over time.

Indonesia is one of WA's closest international neighbours and it makes sense that we should be investing in building a relationship with one of Australia's most important regional partners. We know that Indonesia is on track to become the fourth-largest economy by 2050 and is a real global economic powerhouse. It has long been a significant market for WA and there continues to be immense opportunity and potential. Throughout the inquiry, it became clear that it is not simply a trade relationship; it is about an investment ecosystem, shared educational opportunities, tourism, and the development of a bespoke, proactive and long-term engagement strategy with Indonesia. The inquiry was held in 2020, when the Indonesia–Australia Comprehensive Economic Partnership Agreement—otherwise known as the IA-CEPA, the free trade agreement with Indonesia—came into force after 15 years of negotiation. That agreement created an economic partnership framework under which that relationship could really achieve its true potential. It is still in its infancy but has the potential to strengthen cooperation to grow education and training, the digital economy, battery and electric vehicle supply chains and the mining equipment, technology and services sector, for example.

Relationships continue to change over time, and that happens for a number of reasons, but we heard during the inquiry that this has been felt from both sides. There have been issues of misunderstanding and a lack of trust resulting from cultural differences, and what could be considered to be challenges around competitiveness, with similarities in export and trade. From a WA perspective, it is clear that we need to continue to build a meaningful relationship in order to work together in a collaborative way to increase the opportunities for WA and our local businesses. This sentiment is shared by our Indonesian friends. Excitingly, there is a keen interest for a collaborative approach, which will provide real opportunities for WA.

This report contains 81 findings and 15 recommendations, which all focus on the fact that the time is now for WA to take seriously the benefit of investing in and developing these stronger relationships and ties with our closest international neighbour. The recommendations that I want to address today in my contribution are around the digital transformation, the importance of increasing language and cultural understandings here in WA, and the need to ensure that we are focusing on building a strong team WA brand that really cuts through in Indonesia.

We know that globally, we are going through a period of digital transformation with different countries being at different places in their journey. We also know that Indonesia is currently right in the thick of it. There is a significant digital transformation taking place. Indonesia is a market with almost 12 million households, and this number is expected to grow to 46 million households by 2040. There is a rapidly growing middle class and younger generations who are becoming extremely tech savvy. Internet and mobile use is growing significantly. The report highlighted that Indonesia's accelerating 5G rollout is looking to leapfrog 3G and 4G infrastructure and technology, and the associated economic opportunities are growing and shifting at a very rapid pace. It is interesting to see on the ground how the digital ecosystems are growing. Like most other areas across the world, by necessity if nothing else, the transformation accelerated during COVID-19 and is really on an upwards trajectory. It is leading to growth in e-commerce, economic and training opportunities and is setting the right climate for strong partnerships.

The report also focuses on the importance of increasing language and cultural understandings. At the core, any genuine interpersonal relationship requires an inherent understanding of language and culture. It has become clear that there is definitely a lot more work that can be done, and this report has highlighted steps that could be implemented to start to make positive changes in this area, particularly with language. There are some very practical steps that can be taken to increase our ability, starting with the way we teach our children the Indonesian language—a skill that this report found would be hugely beneficial. At present, there is something of an ad hoc approach to the teaching of Indonesian language in schools in WA. This is of particular interest to me. My daughter was fortunate enough to study Indonesian at a local primary school through years 3 to 6; she went to a high school that offered Indonesian language studies along with Japanese, and she continued that study right the way through. On the other hand, my son went to a primary school that did not offer any language and a high school that offered Japanese and French. There is a difference in the offerings between not only primary schools—that is just a snapshot, but we see that across communities—but also high schools. We also need to improve the pathway for students to continue through with a language, with some limitation in the course offerings at a tertiary level. By taking these small steps and focusing on this area, we could really start to increase the language and cultural literacy in our broader community.

The committee recommended that the state government provide greater support for language programs and studies in schools, as I have mentioned, and universities. The recommendations include a long-term strategy that particularly looks at the number of teachers of Indonesian language and culture in WA schools and whether scholarships and student exchanges could benefit these relationship-building opportunities.

The other area I want to touch on is the importance of embracing and creating a strong team WA presence in Indonesia. We heard evidence that we are definitely well on the path of growing team WA, but what has become evident is the benefit that could come from working to create an even bigger impact. WA is in a unique position and has an advantage over other parts of the country, and working on that team WA presence in Indonesia will be really important. There were recommendations made along those lines, as well.

Another recommendation I focus on relates to Surabaya in East Java, which is four hours from Perth and has a population of more than 12 million people, yet very few Australians and particularly Western Australians have heard of this large and vibrant city. A sister-state relationship between WA and East Java came into place in the 1990s. This committee report referred to the real opportunities to continue and strengthen those relationships.

I take the opportunity to thank the chair and other committee members who contributed to this report, and also all the people who participated in the inquiry, made submissions and attended public hearings. I also give a huge wonderful thanks to our committee staff, Vanessa Beckingham, Dr Alessandro Silvestri and Franchesca Walker, who joined us towards the end of the report.

MS A.E. KENT (Kalgoorlie) [10.38 am]: I rise today to make a very brief contribution to the debate on this report, *A long-term partnership: Developing stronger ties with Indonesia—Western Australia's bilateral trade and investment relationship with the Republic of Indonesia*. I was a very recent addition to this committee. I was very grateful to be selected to be on it, given the synergies with the economy and industry and the electorate of Kalgoorlie. One thing I learnt in my short time was how important it is to build strong bilateral trade and investment relationships. Developing those relationships starts with people-to-people connections, and it is vital to increase trade and investment flows with Indonesia. Furthermore, the relationship must go beyond trade and investment to ensure value creation, collaboration and the development of human capital.

I was lucky enough to visit Indonesia as part of the inquiry. Businesses were particularly interested to know where I had come from and where Kalgoorlie is. Most people we met had heard of Kalgoorlie for the main reason of Kalgoorlie's industries, specifically the critical minerals industry. As members will be able to see in the report, work has been bolstered in the critical minerals industry by a memorandum of understanding that was signed between KADIN and the state government. The state government sees the MOU as providing a framework for constructing and securing critical minerals supply chains, and promoting investment and collaboration in the development of value-adding critical minerals and battery industries. KADIN and WA Premier Roger Cook recently signed an action plan in support of the MOU, and the plan identified three pillars of cooperation: developing resilience and sustainable supply chains, supporting strong environmental and social government outcomes, and growing a skilled workforce. Both parties to the plan hope to hold high-level meetings and business forums to better understand where the greatest opportunities for WA and Indonesia lie. A strategic analysis will also be commissioned to map future collaboration opportunities for Western Australia and Indonesia under the three pillars of cooperation.

I am pleased to acknowledge the findings in the report, and I want to highlight the following —

Finding 75

The critical minerals sector offers Western Australia and Indonesia opportunities to increase their mutually beneficial collaboration, particularly in relation to the manufacturing of batteries and electric vehicles.

Finding 76

Western Australia is well-placed to assist Indonesia in its transition to net zero. The state supplies over half of the world's lithium, a critical mineral required for lithium-ion battery production and one that Indonesia, due to a lack of reserves, will need to import if it is to realise its goal of increasing its battery and electric vehicle manufacturing capabilities.

Finding 77

There are early positive signs of cooperation between Indonesia and Western Australia on building and securing critical mineral supply chains and promoting investment and collaboration in the development of value-adding critical minerals and battery industries.

Recommendation 14 of the report says —

As part of the development of Western Australia's Indonesia engagement strategy emphasis should be placed on critical minerals and battery supply chain collaboration opportunities. Early successful negotiation of the MoU with KADIN should not lose momentum: the state government should maintain its focus on this important strategic partnership.

This is a very important recommendation for my electorate. Critical minerals in the goldfields have momentum. We recently had Diggers and Dealers, and the number one topic of conversation was critical minerals, not gold or nickel as it has been in the past.

Finally, I would like to thank the chair and other members of the committee, and show my appreciation and thanks to the committee staff, led by Vanessa Beckingham. With that, I commend the report to the house.

MS M. BEARD (North West Central) [10.43 am]: I rise to make a brief contribution in support of the contributions that have already been made by my fellow parliamentarians. The chair very aptly touched on this: it has been a fast journey for some of us on the committee, especially Ali Kent and me, who are new members. I will not speak for

her, but personally, as a new parliamentarian, the value of the committee process has been clearly showcased to me through this inquiry.

I really need to thank the very patient staff who have helped the committee and me along the way. Vanessa Beckingham, Franchesca Walker and Dr Alessandro Silvestri were an incredible support for me. Thank you. It is a new process. Another person I would like to thank is Dr Isla MacPhail, who helped me in the very early stages of my introduction to the committee and was very patient. I thank everyone who has helped along the way. I thank the chair and the committee members who have also been instrumental in seeing this report through the process and into fruition.

The relationship between Western Australia and Indonesia is critical, and as we went through this process, the future opportunities were highlighted to me as being immense. I think we need to heed the advice of having a tailored engagement strategy that meets the characteristics of the Indonesian market. A lot of these were very close to my electorate, and we have a large horticultural industry and a large pastoral industry. Food is important in my electorate, and tourism is important in the regional centres. Tourism is also important to the whole state. That was definitely a highlight for me in understanding what the opportunities might look like. The services coming from WA will help drive economic development in Indonesia, and the benefits to be gained for Indonesia and WA are immense. Previous speakers have highlighted many of those points.

How do we do this? Increasingly, the number of Indonesian language teachers is being touched on. This was really apparent when we were travelling through Indonesia recently. That definitely highlighted that language and culture is particularly important to Western Australia's relationship with Indonesia. Increasing that area of focus is paramount to success. When we were on the trip, I found that the people we met were very similar to us; there is no difference really. Language is the barrier. I very much found that a people-to-people connection is incredibly important to the Indonesian community. For me, teaching language and culture in WA schools is paramount.

Leading on from that, there are opportunities in the arts, language, culture, education and sport. There are definite synergies for consideration for a soft diplomacy approach; this was something people talked about throughout our visit, which was very interesting for me. From that idea is Perth as a study destination for Indonesians, and we need to open up those channels and allow them to understand what we have on offer.

I mentioned the targeted tourism strategy, and there was a focus on East Java. Many of the people we spoke to were excited about those opportunities, particularly for Western Australia, given we are very close in proximity. There are many opportunities, as is the case for critical minerals and the battery supply-chain collaboration, which were highlighted.

The other thing I noticed on the trip with my colleagues was that comments were often made about the scale and size of Western Australia. Although people who had travelled here understood, other people had very little understanding of how incredibly difficult it is to get around Western Australia, compared with our east-coast counterparts. Indonesians find the distances a very big challenge, particularly for tourism. That was one of the challenges that came up time and again. I think we have a cohort of people in Indonesia who are very happy and very willing to visit our state, but we need to overcome some challenges.

The other point that was raised was a skills exchange program, and that came up several times throughout our journey on this investigation. Things that definitely came up for me in that process were international education, increasing the people-to-people connection and the skills exchange program; these are very relevant in regional and metropolitan areas for people wanting to learn new skills, come across to Western Australia, and understand and work in different industries. Indonesia's growing digital economy is another aspect that I think is very positive and we definitely need to build on. That issue came up time and again in terms of the synergies that we can improve on.

Underpinning all of this is the idea that creating a different space for us from our counterparts on the east coast is important. If we take heed of some of the points that we have included in the report, it will definitely strengthen the relationships with our neighbours. All this feeds into helping to further grow and develop brand WA, as it helps to differentiate us from the other Australian states and territories, which I think is important. Many of the people in Indonesia we spoke to saw Australia as the east coast, so that was something that I noted.

It has been a long inquiry and it has been a large body of work. We need to be sure that this report provides guidance and direction, and helps to build on previous efforts in this space. I am optimistic that the future with our friends in Indonesia will be strong. I look forward to doing my bit to foster this ever-expanding relationship.

I would also like to recognise this auspicious day for Indonesia, with 17 August being Indonesia's Independence Day. I note that it is a very special day that is commemorated in Indonesia and I wish them all the best for a special day.