

41ST PARLIAMENT



Economics and Industry Standing Committee

Report 5

A LONG-TERM PARTNERSHIP: DEVELOPING STRONGER TIES WITH INDONESIA

Western Australia's bilateral trade and investment relationship with the Republic of Indonesia

Presented by Hon P.C. Tinley, MLA

August 2023

Committee Members

Chair	Hon P.C. Tinley, MLA Member for Willagee
Deputy Chairs	Ms M. Beard, MLA Member for North West Central (from 26 October 2022; committee member from 20 October 2022) Mr V.A. Catania, MLA (until 8 August 2022)
Members	Mr D.A.E. Scaife, MLA Member for Cockburn Ms E.L. Hamilton, MLA Member for Joondalup Ms A. Kent, MLA Member for Kalgoorlie (from 21 February 2023) Dr J. Krishnan, MLA Member for Riverton (until 21 February 2023)

Committee Staff

Principal Research Officer	Ms Vanessa Beckingham
Research Officers	Ms Franchesca Walker (from 5 June 2023) Dr Alessandro Silvestri (until 2 June 2023)

Legislative Assembly
Parliament House
4 Harvest Terrace
WEST PERTH WA 6005

Tel: (08) 9222 7857
Email: laeisc@parliament.wa.gov.au
Website: www.parliament.wa.gov.au

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Economics and Industry Standing Committee

A long-term partnership: developing stronger ties with Indonesia

Western Australia's bilateral trade and investment relationship with the Republic of Indonesia

Report No. 5

Presented by

Hon P.C. Tinley, MLA

Laid on the Table of the Legislative Assembly on 17 August 2023

Inquiry Terms of Reference

The Economics and Industry Standing Committee will inquire into and report on matters relating to Western Australia's bilateral trade relationship with the Republic of Indonesia.

In particular, the committee will examine:

1. The role of the State Government within Australia's national trade and investment ecosystem, in relation to Indonesia, taking into consideration:
 - a. The Team Australia approach to the national trade and investment agenda led by the Department of Foreign Affairs and Trade and Austrade.
 - b. How the State Government could optimise outcomes for Western Australia by adopting a Brand WA approach to Indonesian trade and investment.
2. The current status of Western Australia's bilateral trade relationship with Indonesia, and implications of the ratification of the IA-CEPA (which establishes an economic powerhouse model of collaboration at the national level) with particular reference to job creation and economic growth into the future.
3. The work of Invest and Trade WA in facilitating Indonesian trade and investment opportunities and measuring the success of those opportunities, in particular examining:
 - a. Engagement with Western Australian businesses that:
 - i. would benefit from the provisions in IA-CEPA;
 - ii. are not existing companies or industries that trade with Indonesia; and/or
 - iii. are looking to trade with Indonesia for the first time.
 - b. The facilitation of Indonesian foreign investment into the state.
4. Whether the State Government is adequately developing a bespoke, proactive, and long term engagement strategy with Indonesia.

Chair's Foreword

This is the second inquiry report tabled by the Economics and Industry Standing Committee in the 41st Parliament. It follows on from the committee's overview of the challenges and opportunities facing the WA economy out to 2041. This is an important report as it looks at our relationship with Indonesia, our closest international neighbour and a country that is fast becoming a global economic powerhouse.

We chose to look at Western Australia's bilateral trade relationship with Indonesia given our close proximity and the fact that Indonesia is a fast-growing economy with a population that will reach 337 million by the 2060s. The Indonesian population is increasingly better educated, more urban, more employed and younger in age, contributing to an increasingly larger workforce. It is widely touted that the Indonesian economy will be the fourth largest global economy by 2050. Furthermore, the digital transformation happening in Indonesia is significant, with the country looking to achieve its aim of becoming a leading digital economy in South East Asia.

There was general consensus amongst inquiry participants that while Indonesia has been an important market for WA for a long time (they have been buying WA wheat since the 1970s), there is certainly room for growth in the trade (and investment) relationship. Research suggests that international markets in close proximity tend to have increased levels of trade to show for this; however, with WA and Indonesia this has not been the case. Similar exports and sometimes cultural differences have prevented a more voluminous relationship.

The ratification of the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) on 5 July 2020, after almost 15 years of discussion and negotiation, adds further impetus to exploring an expanded economic relationship with Indonesia. The IA-CEPA creates an economic partnership framework between Australia and Indonesia, under which the WA-Indonesia relationship could reach its full potential provided appropriate and timely action is taken by government and industry.

The three broad components to the IA-CEPA are: trade, investment, and economic cooperation. The agreement aims to accelerate economic cooperation at all levels—between people, business and government. Most importantly, it sets up the bilateral Australia-Indonesia trade and investment relationship for a global value chain approach, referred to as an economic powerhouse partnership, in which the two parties seek to collaborate in order to supply third-country markets.

WA and Indonesia already have the structure of a relationship in place, with organisations and individuals doing excellent work to build on these connections. However, we need to make the connections stronger and more widespread. If people-to-people links can be facilitated through the improvement of our understanding of Indonesian culture and language, and if more Indonesians can be encouraged to visit the state for education, work, leisure or business, then we can build the bilateral relationship to the benefit of both WA and Indonesia.

WA needs to cooperate with Indonesia to assist its economic development and provide Indonesians with critically-needed services. This is necessary to avoid the perception that WA places less importance on Indonesia than on China and India.

There are opportunities for WA to collaborate with Indonesia in helping to address its education and training needs, and partnerships under the existing sister-state agreement that the state has in place with East Java are a good place to start.

Skills exchange programs under the IA-CEPA could be better utilised to reinvigorate WA's international education sector and increase people-to-people connections to build shared capability and cross-cultural understanding.

Opportunities exist in relation to Indonesia's growing digital economy and the reform of digital trade enacted under the IA-CEPA make these opportunities even more viable for WA businesses.

The critical minerals sector offers WA and Indonesia opportunities to increase their mutually beneficial collaboration, particularly in relation to the manufacturing of batteries and electric vehicles. It is important that, in the state's Indonesia engagement strategy, emphasis is placed on critical minerals and battery supply chain collaboration opportunities. Early successful negotiation of the MoU with Indonesia's chamber of commerce and industry, KADIN, should not lose momentum—the state government should maintain its focus on this important strategic partnership.

Inquiry stakeholders stressed the need for an Indonesian engagement strategy tailored to the unique characteristics of the Indonesian market. The committee is of the view that some of the aspects of an Indonesian engagement strategy should include:

- increasing the number of teachers of Indonesian language and culture in WA schools
- a soft diplomacy component which explores opportunities in the arts, language, culture, sports, and education
- more focus on marketing and promoting Perth as a study destination
- a social media component
- a targeted tourism strategy that focuses on East Java
- critical minerals and battery supply chain collaboration
- provision of useful, accurate and timely information that is relevant to the trade relationship for the use of industry stakeholders
- establishing ways in which Indonesians can be more easily integrated into WA's workforce.

Underpinning this is the idea that a 'Brand WA' is created which differentiates us from the eastern states so that Indonesia is aware of what WA has to offer.

If WA makes the same level of investment in Indonesia as it does in WA's more traditional trading partners, it is likely that the Indonesian investment will result in greater returns because of the country's rising economy and close proximity to WA. A similar level of return

is not achievable if we wait—WA needs to invest in the relationship now or risk playing ‘catch up’ in the future.

I would like to thank my fellow committee members for their diligent work on this quite lengthy inquiry: Deputy Chair, Merome Beard MLA, and the current members of the committee Mr David Scaife, MLA, Ms Emily Hamilton, MLA, and Ms Ali Kent, MLA.

I acknowledge the early input to the inquiry by former committee member Dr Jags Krishnan, MLA (until 21 February 2023) and the former Deputy Chair, Mr Vince Catania, MLA (until 8 August 2022).

I also recognise the work of the committee secretariat, Ms Vanessa Beckingham, Principal Research Officer, and Ms Franchesca Walker, Research Officer. I acknowledge Dr Alessandro Silvestri who worked with the committee in the capacity of research officer until 2 June 2023. The secretariat also received assistance from another committee research officer, Dr Sam Hutchinson, as we got closer to the tabling deadline, and I extend a thank you to him for his willingness to help.

Finally, I extend my thanks to the hard-working staff at Invest and Trade WA here in Perth and the WA team at the state government’s international trade and investment office in Jakarta. These public officers provided the committee with valuable support in planning and executing the committee travel to Indonesia in May 2023. The expertise and good humour of the Invest and Trade WA team under very tight deadlines in planning the travel was much appreciated by the committee members.

Special thanks goes to the Director of the Jakarta office, Ms Diyas Herianti, who accompanied the committee on its travels in Indonesia and provided a range of valuable services, including acting as an impromptu interpreter and tour guide.

In closing I note that this report is tabled on an auspicious date for Indonesians—17 August is Indonesia’s Independence Day, which commemorates Indonesia’s independence from Dutch colonial rule. It is referred to by Indonesians as *Tujuhbelas Agustus* (17th of August) or *Hari Merdeka* (Independence Day).

We look forward to a long and prosperous relationship with the Republic of Indonesia.

A handwritten signature in blue ink, appearing to read 'P.C. Tinley', with a stylized flourish at the end.

HON P.C. TINLEY, MLA
CHAIR

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Executive Summary

Indonesia has demonstrated stable economic growth since the Asian financial crisis in the late 1990s. It is predicted to be the fifth largest economy in the world by 2030 or soon thereafter, and the fourth largest by 2050.

It has long been regarded as a significant market for Western Australia (WA). For over 30 years, the state government has maintained an official presence in Indonesia through an in-market trade and investment office which aims to encourage greater engagement between businesses, people, and government agencies.

WA's sister-state agreement with East Java, an important part of our relationship with Indonesia, has been in place since 1990. The recently negotiated renewal of the agreement sought to develop a targeted arrangement focusing on key areas to benefit both parties.

The bilateral relationship has fluctuated over time, in response to political tensions, and policy and regulatory changes. The committee heard during the inquiry that the relationship has at times been challenging for both sides, with a tendency to see each other as trade adversaries rather than trade partners, due to our similar export profiles. Considerable cultural differences have also sometimes led to misunderstanding and a lack of trust.

For this reason, our trade relationship with Indonesia has not reached the heights one might expect from two jurisdictions that are—except for the Timor Sea and Indian Ocean—direct neighbours. Unless WA works to change this dynamic, we risk missing opportunities in Indonesia as it becomes a global economic powerhouse.

There is considerable underdeveloped potential in the WA-Indonesia relationship. Indonesia's growing population, labour productivity and per capita income are all factors which make it an attractive market for WA businesses.

There has been cooperation recently between Indonesia and WA in jointly pursuing mutually beneficial outcomes under the Indonesia-Australia Comprehensive Economic Partnership (IA-CEPA). There has been a focus on economic cooperation in sectors of shared interest: education and training, health, creative economy, energy, primary industries, mining, agriculture, tourism, and technology and advanced manufacturing. While it is too early to assess the full impact of IA-CEPA on trade, investment and integration between WA and Indonesia, early indications suggest it is yielding some benefits.

Building a strong bilateral trade and investment relationship is about building relationships at all levels: government, business and people. Developing those relationships starts with people-to-people connections and is vital to increasing 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.

Building trust between Indonesia and WA based on mutual understanding and transcending cultural differences is an essential step in strengthening the bilateral relationship.

It became clear to the committee that having a population that has a good understanding of Indonesian cultures and language would go a long way in supporting greater people-to-people connection. This is an area where we have lost ground in recent years. For this reason, the committee recommends that the state government provides greater support for Indonesian language programs and studies in schools and universities, including implementing a long-term strategy to increase the number of teachers of Indonesian language and culture in WA schools.

Scholarships and student exchange programs that facilitate student mobility are also important contributors to building long-term relationships. These types of programs have the capacity to ramp up the people-to-people exchange opportunities and build shared capability.

Connection can also be fostered by recognising that value that the Indonesian alumni and diaspora communities have as important international ambassadors for the state. The committee was told that while these groups are often referred to in Australia, there are few clear strategies, frameworks and initiatives for actually engaging them.

The visitor economy has an important role to play in our bilateral relationship. Visitors, particularly repeat visitors, lead to further synergies in trade and investment flows. Visitor segments such as tourists and international students play an important role in fostering people-to-people connections and building trust and cultural awareness. Despite its convenient location and proximity to Indonesia, evidence provided to the committee suggests that, in comparison to other destinations, not many Indonesians visit WA. Factors at play here are difficulties in obtaining visas, the vast distances which are a part of any travel in regional WA, and a general lack of information about our tourism destinations and experiences amongst Indonesian tourism agents, with limited access to information in Bahasa. Compounding this is the fact that the WA tourism industry is in competition with the eastern states in terms of visibility and ease of access.

The committee believes that the state government should be doing all it can to encourage Indonesians to come to WA, whether for work, business, study or leisure, and therefore makes a range of findings and recommendations to support this (see Chapters 3 and 4).

The report also considers how the state can build a WA brand in Indonesia, as evidence suggests that although Australia's nation brand is widely recognised in Indonesia, WA's state brand is not. Cooperation between the Australian Commonwealth and states is crucial to creating a Team Australia ecosystem in which states can pursue in-market opportunities and solidify state brands. However, the committee believes that states and territories in a sense compete for recognition in the Indonesian market under this national umbrella, particularly in sectors that rely on destination awareness, such as international education and tourism. This competition intensifies when it comes to attracting inbound investment.

The committee is of the view that WA needs to develop its own unique branding to differentiate it from other states and territories. In the same way that tourism campaigns require unique destination selling points, WA requires an overall brand campaign to sell its distinctive attributes. It also needs to differentiate at the sectoral level, developing sector-

specific brand campaigns and engagement strategies to promote some of the state's competitive advantages and market opportunities to Indonesia; for example, in resources, tourism, and the digital and technology sector.

An important part of developing this brand is the state's in-market presence. For this reason, the committee recommends that the state government establish a dedicated Indonesian trade and investment commissioner based in Jakarta, and establish an additional trade and investment office in Surabaya, East Java.

Inquiry stakeholders all agreed that WA's sister-state relationship with East Java has been an important conduit in facilitating the Indonesia–WA relationship, providing invaluable opportunities to grow cooperation and understanding between the two governments and broader communities. A relatively small jurisdiction such as WA has limited capacity to service Indonesian demand across all sectors. The sister-state relationship with East Java, centring on Surabaya, therefore provides a good foundation for building out the relationship with Indonesia. East Java has many different industries in which WA could develop complementary partnerships; for example, aviation and maritime connectivity, medical personnel, and tourism, to name a few. Establishing an office in Surabaya could only be a positive development.

The IA-CEPA envisages mutually beneficial economic partnerships between Australia and Indonesia, and to develop these we need to move beyond our traditionally transactional approach to trade and investment, and look for ways to cooperate with Indonesia to add value to each other's products and services for export to a third market.

There are a range of opportunities for cooperation under the economic powerhouse model envisioned by the IA-CEPA, which are enhanced by IA-CEPA provisions which open up market access and facilitate the flow of people between our two countries. Chapter 5 outlines opportunities for WA in education and training, the digital economy, battery and electric vehicles supply chains, and the mining equipment, technology and services (METS) sector.

From WA's perspective, there needs to be greater investment in the Indonesian market. There is a risk that, if the relationship is not made a priority, WA will not only fail to capitalise on future benefits but, as the market grows, lose market share in current important export sectors such as wheat and livestock.

The committee recognises the incredible effort which the Invest and Trade WA team within the Department of Jobs, Tourism, Science and Innovation (JTSI) is putting into developing a long-term relationship with Indonesia. Chapter 6 makes findings and recommendations which the committee hopes will augment the excellent work being done and assist in developing an Indonesian engagement strategy which is tailored to Indonesia's unique characteristics.

An important part of this ongoing strategic approach needs to involve consultation with relevant stakeholders—business councils, chambers of commerce, sectoral groups and businesses—particularly those within the Indonesian diaspora community here in WA. These

stakeholders would be well equipped to advise the state government on opportunities and industry needs in relation to the Indonesian market.

In the past, WA has not focused on the unique characteristics of its relationship with Indonesia as well as it might have, especially when compared to its engagement with its traditional markets. The state government's recent focus on the relationship with Indonesia is welcome and should be maintained. However, a strategy for long-term, sustained engagement is needed.

The committee believes there is benefit in the state government developing a more nuanced hierarchy of opportunity in terms of its engagement with the Indo-Pacific region. While it agrees with JTSI's observation that there are a number of promising trade relationships that WA could pursue in the region, arguably none are as well placed as Indonesia. If WA made the same level of investment in Indonesia as it does in its more traditional trading partners, it is likely that the Indonesian investment would result in greater returns, due to the country's growing economy and close proximity to WA. A similar level of return is not achievable if we wait—WA needs to invest in the relationship now or risk playing 'catch up' in the future.

Ministerial Response

In accordance with Standing Order 277(1) of the Standing Orders of the Legislative Assembly, the Economics and Industry Standing Committee directs that the Premier; Minister for State and Industry Development, Jobs and Trade; Public Sector Management; Federal-State Relations report to the Assembly as to the action, if any, proposed to be taken by the Government with respect to the recommendations of the committee.

Findings and Recommendations

Chapter 1 – Why this inquiry?

Finding 1

Page 3

Indonesia has demonstrated stable economic growth since the Asian financial crisis in the late 1990s. It is predicted to be the fifth largest economy in the world by 2030 and fourth largest by 2050.

Recommendation 1

Page 3

The state government should prioritise our relationship with Indonesia—our closest neighbour and a country which is predicted to be the fourth largest economy in the world by 2050.

Chapter 2 – Western Australia’s trade and investment relationship with Indonesia

Finding 2

Page 8

Indonesia has long been regarded as a significant market for Western Australia. For over 30 years, the state government has maintained an official presence in Indonesia to encourage greater engagement between businesses, people, and government agencies.

Finding 3

Page 8

Western Australia’s sister-state agreement with East Java has been in place since 1990. The recently negotiated renewal of the memorandum of understanding, which is the framework for the agreement, sought to develop a targeted arrangement focusing on key areas such as education, training, tourism and creative industries.

Finding 4

Page 8

Western Australia’s trade and investment office in Jakarta supports Western Australian businesses seeking trade and investment opportunities in Indonesia, and Indonesian businesses looking to trade with and invest in Western Australia.

Finding 5

Page 9

Western Australia benefits from three trade agreements which include Indonesia: the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), the Regional Comprehensive Economic Partnership Agreement (RCEP), and the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA).

Finding 6

Page 13

The Western Australia–Indonesia trade and investment relationship has, over time, fluctuated according to political tensions, and policy and regulatory changes. Evidence suggested it was a ‘sometimes challenging’ relationship, with a tendency to see each other as trade adversaries rather than trade partners.

Finding 7**Page 13**

The Western Australia–Indonesia trade relationship has not reached the heights one might expect from two countries that are—except for the Timor Sea and Indian Ocean—direct neighbours. Unless Western Australia works to change this dynamic, we risk missing opportunities in Indonesia as it becomes a global economic powerhouse.

Finding 8**Page 14**

Indonesia has been an important trading partner for Western Australia’s wheat exports. This sector provides an insight into some of the ongoing challenges and opportunities for the bilateral trade relationship.

Finding 9**Page 14**

The trade deficit between Western Australia and Indonesia is an issue of concern for Indonesian stakeholders, who would like to see a more balanced trade relationship with Western Australia.

Finding 10**Page 15**

There is considerable underdeveloped potential in the Western Australia–Indonesia relationship. Indonesia’s growing population, labour productivity and per capita income are all factors which make it an attractive market for Western Australian businesses.

Finding 11**Page 16**

There has been cooperation recently between Indonesia and Western Australia in jointly pursuing mutually beneficial outcomes under the Indonesia-Australia Comprehensive Economic Partnership Agreement. There has been a focus on bilateral economic cooperation in sectors of shared interest: education and training, health, creative economy, energy, primary industries, mining, agriculture, tourism, and technology and advanced manufacturing.

Finding 12**Page 17**

The Indonesia-Australia Comprehensive Economic Partnership Agreement moves the bilateral relationship between Australia and Indonesia towards an economic powerhouse model under which complementarities within industries are identified and strengthened to access third-country markets and participate in global value chains.

Finding 13**Page 18**

Communication gaps between policymakers and businesses have slowed the realisation of benefits available under the Indonesia-Australia Comprehensive Economic Partnership Agreement. However, with a top-down approach, it does take time for the full benefits of the agreement to be felt ‘on the ground’ at the business level.

Finding 14**Page 19**

Both Australia and Indonesia have seemingly lacked a uniform national strategy in implementing the Indonesia-Australia Comprehensive Economic Partnership Agreement, which has resulted in inconsistent implementation at the state and regional levels.

Finding 15**Page 20**

The Indonesia-Australia Comprehensive Economic Partnership Agreement provides greater market access for both Indonesia and Australia due to significantly reduced tariffs: 100 per cent of Indonesian goods can enter Australia duty-free and 99 per cent of Australian goods can enter Indonesia either duty-free or under significantly reduced preferential arrangements.

Finding 16**Page 20**

While it is too early to assess the full impact of the Indonesia-Australia Comprehensive Economic Partnership Agreement on trade, investment and integration between Western Australia and Indonesia, early indications suggest it is yielding some initial benefits.

Chapter 3 – Relationships matter**Finding 17****Page 24**

Building a strong bilateral trade and investment relationship is about building relationships at all levels: government to government; business to business; and people to people. Developing those relationships starts with people-to-people connections and is vital to increasing trade and investment flows between Western Australia and Indonesia. The relationship must go beyond trade and investment to ensure value creation, collaboration, and the development of human capital.

Finding 18**Page 26**

Building trust between Indonesia and Western Australia based on mutual understanding and transcending cultural differences is an essential step in strengthening the bilateral relationship. When this foundation is developed, mutually beneficial economic opportunities will become viable.

Finding 19**Page 28**

Having a population which has a good understanding of Indonesian cultures and Bahasa Indonesia supports greater people-to-people connection, which in turn improves our economic relationship.

Recommendation 2**Page 28**

That the state government provides greater support for Indonesian language programs and studies in schools and universities, including implementing a long-term strategy to increase the number of teachers of Indonesian language and culture in Western Australian schools.

Finding 20**Page 30**

The use of soft diplomacy is necessary over a long period of time to develop enduring relationships with Indonesia. Other Australian states are already taking this approach and Western Australia is competing not only with other states, but with other developed countries to access this critical market.

Recommendation 3**Page 31**

That the state government develop an Indonesian soft diplomacy strategy, exploring additional opportunities in the arts, language, culture, sports, and education.

Finding 21**Page 33**

Scholarships and student exchange programs that facilitate student mobility are important contributors to building long-term relationships. These types of programs have the capacity to ramp up the people-to-people exchange opportunities and build shared capability.

Recommendation 4**Page 33**

That the state government facilitate the development of study exchange and internship programs that focus on Western Australia's areas of strength such as engineering, science, medicine and agriculture.

Finding 22**Page 35**

The Indonesian alumni and diaspora communities are underutilised assets in Australia, with few clear strategies, frameworks and initiatives for engaging them.

Finding 23**Page 36**

Visitors, particularly repeat visitors, lead to further synergies in trade and investment flows. Visitor segments such as tourists and international students play an important role in fostering people-to-people connections and building trust and cultural awareness between Western Australia and Indonesia.

Finding 24**Page 36**

In order to realise the full potential of the visitor economy, government and industry need to work together to build supply chains and remove travel frictions.

Finding 25**Page 39**

At the national level, Australia's market share of Indonesian visitors is small. Visitors arriving in Australia from Indonesia, while increasing in number up until 2019, were mainly students and people visiting friends and relatives.

Finding 26**Page 39**

Despite its convenient location and proximity to Indonesia, evidence provided to the committee suggests that, in comparison to other destinations, not many Indonesians visit Western Australia.

Finding 27**Page 40**

Difficulties obtaining a tourist visa is one reason that Indonesians choose to go elsewhere. Visa competitiveness is identified by Austrade as a supply-side issue for Western Australia's visitor economy.

Finding 28 **Page 40**

Given that both the tourism and international education markets are more competitive than ever before, it will be increasingly important to raise the profile and accessibility of Western Australia in order to encourage Indonesians to visit and study here.

Finding 29 **Page 41**

There is evidence to suggest that Indonesians emigrating for work purposes are typically temporary workers or students. These cohorts could be encouraged to come to Western Australia with the provision of gap training or education facilities, which in turn could be an important source of skills and labour to meet shortfalls in the current Western Australian labour market.

Recommendation 5 **Page 41**

That the state government investigate education and training facilities and/or programs which could be established with the objective of providing 'job ready' Indonesian emigrants into the labour market.

Finding 30 **Page 44**

The flow of people from Indonesia into Western Australia has, to date, been hampered by Australia's current visa requirements, which do not appear to embody the intent of the Indonesia-Australia Comprehensive Economic Partnership Agreement.

Finding 31 **Page 44**

Ongoing difficulties in obtaining visas may act as a barrier to the development of the Indonesia–Western Australia bilateral relationship. Without maximising the flow of tourists, business people, students and others, people-to-people relationships cannot be fully realised. Furthermore, reputational damage around Western Australia not being 'Indonesia friendly' may discourage business investment.

Finding 32 **Page 44**

The Australian Prime Minister has recently announced reforms to the visa system for Indonesian business people, including access to extended business visas and the Frequent Traveller Scheme visa.

Finding 33 **Page 45**

Direct flights to a range of Indonesian cities are vital if bilateral trade and investment between Western Australia and Indonesia is to reach its full potential. The majority of existing flights service West Australians travelling to Bali for a holiday, although the recent addition of two direct services to Jakarta are promising developments.

Finding 34 **Page 46**

Currently we are witnessing one of the most competitive tourism markets ever seen. Evidence suggests that the Western Australian tourism industry is in competition with the eastern states in terms of visibility and ease of access.

Finding 35 **Page 49**

Transformative economic growth in Indonesia over the past 20 to 30 years has created a large market for international education within the growing Indonesian middle class. Indonesia's skills development agenda is further driving demand.

Finding 36 **Page 49**

International education is a highly competitive market. The United States, Europe and the United Kingdom are serious competitors for Indonesian students. There has also been a recent surge in quality Asian education providers.

Finding 37 **Page 49**

Over the past 20 years, the number of Indonesian students in Australia has remained flat, while the number coming to Western Australia has declined. Western Australia has lost market share to eastern states' providers.

Finding 38 **Page 49**

There are significant geographic, educational, employment, and migration advantages that can be emphasised when promoting Perth as a study destination. With improved marketing and promotion Perth could secure a bigger slice of the market. However, ambitious initiatives are needed to elevate the value proposition of Perth above its competitors, and it is likely that this will need to be a long-term strategy.

Chapter 4 – Building Brand WA

Finding 39 **Page 52**

Australia's Nation Brand is an umbrella brand under which Australian states and territories are able to build their international engagement trade and investment strategies. It should be used alongside these subnational brands, rather than replacing them.

Finding 40 **Page 54**

Cooperation between the Australian Government and states is crucial to creating a Team Australia ecosystem in which states can pursue in-market opportunities and solidify state brands.

Finding 41 **Page 54**

A Team Australia approach is advisable where the regional branding of an export is weak. In areas where Western Australia has a particular strength and interest, and/or where the individual state brand is important, a state-led approach should be pursued.

Finding 42 **Page 54**

There is an opportunity for a more coordinated Team Australia approach into the Indonesian market to communicate key messages in energy transition, investment and food security.

Finding 43**Page 55**

Some local governments are playing an important role in supporting businesses expand their trade and investment portfolios into Indonesia, and are well placed to support business growth more thoroughly than the Australian or state governments. However, it is important that these activities are coordinated with state and Commonwealth agendas and activities to avoid confusion and overlap in services provided.

Finding 44**Page 56**

Australian states and territories in a sense compete for recognition in the Indonesian market within Australia's Nation Brand, particularly in sectors that rely on destination awareness, such as international education and tourism.

Finding 45**Page 56**

States and territories compete for inbound investment. Inbound investment is desirable as it presents opportunities which can be built in a particular sector or location—being known for something is a huge advantage for growth and in attracting further inbound investment.

Finding 46**Page 56**

Just because Western Australia might compete with other Australian jurisdictions for recognition and in-market presence does not mean that it should try to emulate other states' models and approaches. Western Australia should carve out its own brand and approach based upon its own available resourcing and particular competitive advantages.

Finding 47**Page 57**

While Australia's Nation Brand is widely recognised in Indonesia, Western Australia's state brand is not. Furthermore, recognition of Western Australia's brand varies between sectors and products.

Finding 48**Page 57**

Indonesians who know Western Australia often develop this awareness through having intergenerational links with the state, whether through education, business or personal connections.

Finding 49**Page 58**

Western Australia needs to develop its own unique branding to differentiate it from other states and territories. In the same way that tourism campaigns require unique destination selling points, WA requires an overall brand campaign to sell its distinctive attributes.

Finding 50**Page 61**

Differentiation is crucial for individual sectors: states need to identify and work to their competitive advantage within the Team Australia approach.

Recommendation 6**Page 61**

That the state government build out sector-specific brand campaigns and strategies to promote some of the state's competitive advantages and market opportunities. Examples of areas where this could be done include:

- The resources sector, in particular technology and services. There are opportunities for Western Australia to partner with Indonesians in the development of the renewable energy and hydrogen industries.
- The digital and technology sector, particularly in start-ups and scale-ups.
- Technology and research collaboration and knowledge transfer.
- Tourism, events and creative industries collaboration.

Finding 51**Page 62**

Social media platforms are an underutilised tool in promoting Brand WA to Indonesia.

Recommendation 7**Page 62**

That the state government, through Invest and Trade WA, prosecute a comprehensive social media strategy as part of the wider Indonesian engagement strategy.

Finding 52**Page 65**

The Western Australian trade and investment office in Jakarta plays a vital role in the state's relationship with Indonesia, and the sister-state relationship with East Java.

Finding 53**Page 65**

Having a visible and properly resourced in-market presence is crucial to building brand awareness and developing key relationships in Indonesia. The recent decision to position the ASEAN trade and investment commissioner in the Jakarta office is a positive development.

Recommendation 8**Page 65**

That the state government establish a dedicated Indonesian trade and investment commissioner based in Jakarta.

Recommendation 9**Page 65**

That the state government establish an additional trade and investment office in Surabaya, East Java.

Finding 54**Page 68**

A relatively small jurisdiction such as Western Australia has limited capacity to service Indonesian demand in the various sectors. Therefore, the sister-state relationship with East Java, particularly centring on Surabaya, is a good place to start when building the relationship with Indonesia.

Recommendation 10**Page 68**

That the state government develop a Western Australia-East Java working group to:

- assess the past effectiveness of the sister-state relationship
- identify direct and practical objectives to guide the sister-state relationship over the next five years.

Recommendation 11**Page 68**

That the state government consider the development of a targeted tourism strategy focused on East Java which would include improving aviation connectivity between Western Australia and East Java.

Chapter 5 – An economic powerhouse partnership**Finding 55****Page 73**

A mutually beneficial partnership between Australia and Indonesia is the intention behind the economic powerhouse model of the Indonesia-Australia Comprehensive Economic Partnership Agreement.

Finding 56**Page 73**

To develop a mutually beneficial relationship, Indonesia and Western Australia need to move beyond the traditionally transactional approach to trade and investment and look for ways to add value to each other's products and services for export to a third market. This will take time, and requires an immediate and ongoing focus.

Finding 57**Page 73**

For Western Australia to capitalise on the full benefit of the Indonesia-Australia Comprehensive Economic Partnership Agreement there needs to be greater investment in the Indonesian market. There is a risk that, if the relationship is not made a priority, Western Australia will not only fail to capitalise on future benefits but, as the market grows, lose market share in current important export sectors such as wheat and livestock.

Finding 58**Page 73**

Brand WA in Indonesia could be structured around the message that Western Australia can be a trusted partner in the energy transition for a sustainable future.

Finding 59**Page 76**

Education and training is possibly the area of greatest potential for Western Australia under the Indonesia-Australia Comprehensive Economic Partnership Agreement, and with continued effort and collaboration significant benefits for both Western Australia and Indonesia are possible.

Finding 60**Page 76**

Workplace skills development is a priority for Indonesia and the Indonesia-Australia Comprehensive Economic Partnership Agreement and changes in Indonesian government regulation open up a range of opportunities for Australian education and training providers onshore in Indonesia, particularly within the technical and vocational education and training sector.

Finding 61**Page 76**

Industry-education partnerships have the potential to deliver significant value to Western Australia's bilateral relationship with Indonesia.

Finding 62**Page 78**

Activities and programs undertaken as part of the Western Australia–East Java University Consortium require focused input and support from the state government.

Recommendation 12**Page 78**

That the state government continue to focus on opportunities with East Java in bilateral education and training delivery, with consideration given to funding and support for student and staff mobility programs under the WAEJUC arrangement.

Finding 63**Page 78**

The Singhasari Special Economic Zone in Malang, East Java, has potential to play a key role in facilitating opportunities for Western Australia investment in East Java and in establishing people-to-people links through the collaboration occurring here with the WA TVET consortium and the WA Creative Technology Innovation Hub.

Finding 64**Page 80**

An area of potential growth for Western Australia is positioning the state as the science and engineering study hub for Indonesian students, capitalising on our mining and resources strengths.

Finding 65**Page 80**

The memorandum of understanding between the Indonesian Ministry of Energy and Mineral Resources and the state government to promote vocational education and training (VET) collaboration (particularly in electrical and renewable energy upskilling), is an important milestone in the bilateral relationship and has the potential to deliver benefits for both jurisdictions.

Finding 66**Page 81**

The Indonesia-Australia Skills Development Exchange Pilot Project, Workplace-Based Training Visa Arrangement Pilot, and the working holiday visa program offer opportunities in education, skills and training. If utilised to their full potential, they could establish people-to-people links to foster greater cultural literacy and linguistic skills. However, there are some potential barriers to the uptake of these opportunities.

Finding 67**Page 82**

The Indonesia-Australia Skills Development Exchange Pilot Program under the Indonesia-Australia Comprehensive Economic Partnership Agreement is an underutilised opportunity to reinvigorate Western Australia's international education sector and increase people-to-people connections to build shared capability.

Finding 68**Page 83**

There is strong demand for the types of opportunities available within the Reciprocal Skills Exchange Program under the Indonesia-Australia Comprehensive Economic Partnership Agreement. This program offers Indonesians six-month work training opportunities in Australia in the education, tourism, telecommunications, infrastructure development, health, energy, mining, financial services, and information and communications technology sectors.

Finding 69**Page 84**

Increasing the numbers of working holiday maker (subclass 462) visas allocated to Indonesians under the Indonesia-Australia Comprehensive Economic Partnership Agreement could be another way to encourage a greater number of young Indonesians to come to Western Australia. This would potentially create the initial contact for ongoing study, skills training and professional development opportunities.

Finding 70**Page 86**

The digital transformation taking place in Indonesia is significant. Indonesia's rapidly growing digital ecosystem includes e-commerce, ride-sharing services, media distribution and financial services. The COVID-19 pandemic has accelerated the shift to online services.

Finding 71**Page 87**

Indonesia is moving to accelerate the development of the digital ecosystem through five main initiatives: a digital capable workforce; the Personal Data Protection Bill; the national data centre; supporting the participation of micro, small and medium enterprises; and high speed internet infrastructure.

Finding 72**Page 89**

The reform of digital trade enacted under the Indonesia-Australia Comprehensive Economic Partnership Agreement provides a smoother, more cost-effective, and more deeply integrated e-commerce opportunity for West Australian businesses.

Finding 73**Page 89**

With the high adoption of digital technologies across Indonesia, further technical developments in the pipeline, and the changed payment landscape since COVID-19, there are a range of opportunities emerging in the e-commerce sector. This is a sector with opportunities for investment and collaboration, and a sector where start-ups and scale-ups could be encouraged.

Finding 74 **Page 91**

Australia does not currently have significant cross-border e-commerce platforms shared with Indonesia, and the leading Indonesian e-commerce platforms do not extend market access to Australia. The use of QR codes for payment is now employed throughout the ASEAN region but does not extend to Australia.

Recommendation 13 **Page 91**

The state government should lobby its federal counterparts to ensure that Australia modernise its legislative and policy frameworks to facilitate access into the Indonesian market via e-commerce and QR code payment platforms (and vice versa). This would bring Australia into line with its South East Asian neighbours, providing for future digital economic cooperation.

Finding 75 **Page 96**

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 **Page 96**

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 **Page 96**

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 **Page 97**

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.

Finding 78 **Page 98**

The mining equipment, technology and services (METS) sector offers promising opportunities for WA businesses in Indonesia.

Chapter 6 – A successful long-term engagement strategy

Finding 79 **Page 101**

Both symbolic and practical aspects are important in developing Western Australia's relationship with Indonesia.

Finding 80 **Page 104**

The Indonesian market is not transactional—it takes time to establish interest, build relationships and obtain the necessary entry certifications before returns on investment can be expected.

Finding 81 **Page 104**

Not only does the Indonesian market require a different engagement style than what Western Australia is familiar with, Indonesia itself has changed considerably since the onset of the COVID-19 pandemic. Engagement strategies should be revised accordingly.

Recommendation 15 **Page 104**

That the state government develop an Indonesian engagement strategy tailored to Indonesia's unique characteristics.

Finding 82 **Page 106**

There is a perception within some areas of the Western Australian business community that government agencies do not have the appropriate capacity, expertise and/or necessary connections to assist businesses seeking to enter the Indonesian market.

Recommendation 16 **Page 106**

That the state government adequately resource Invest and Trade WA so that it is able to properly support businesses engaging with the Indonesian market.

Finding 83 **Page 107**

The provision of readily available, current and accurate information is an important role played by the state government in engaging with foreign markets. There is scope to improve the information provided about the Indonesian market.

Recommendation 17 **Page 107**

In developing its Indonesia engagement strategy, the state government should give careful consideration to how useful, accurate and timely information that is relevant to the Western Australia-Indonesia trade relationship can be more effectively collected and disseminated by Invest and Trade Western Australia.

Finding 84 **Page 108**

Relevant business councils, chambers of commerce, sectoral groups and businesses, particularly those within the Indonesian diaspora here in Western Australia, could advise the state government on opportunities and industry needs in relation to the Indonesian market.

Recommendation 18**Page 108**

The state government's recent focus on the relationship with Indonesia is welcome and should be maintained. However, a strategy for long-term, sustained engagement is needed. The state government should consult widely with relevant stakeholders to develop such a strategy.

Finding 85**Page 110**

Investing in Western Australia's business capability in the Indonesian market is key to maximising economic opportunities for the state. There needs to be an increased focus on building business capability by improving market and sectoral knowledge, increasing the understanding of business practices, strengthening cultural intelligence, and facilitating connections.

Finding 86**Page 110**

Evidence suggests that unprepared and unsure business delegations and groups entering Asian markets pose a risk to trade relationships. Trade missions should be part of a larger planned initiative.

Recommendation 19**Page 110**

That the state government consider whether there is capacity to provide more frequent and market-specific workshops, for both West Australian and Indonesian business people, to assist in developing cultural literacy and facilitating business-to-business connections.

Finding 87**Page 110**

An ecosystem incubator model, such as that developed by Indonesia Institute Director, Dan Batey, could be a useful tool to guide the entry of WA businesses into the Indonesian market.

Recommendation 20**Page 110**

That the state government consider adopting an ecosystem incubator model to better develop export-ready businesses for entry into the Indonesian market.

Chapter 1

Why this inquiry?

Indonesia will impact the Western Australian economy as it continues to grow in size, affluence and purchasing power. Industrialisation, urbanisation, trade liberalisation and digital innovation are shifting the demands of Asian markets. An appetite for clean and green produce, quality education services, healthcare, and clean energy transition plays to many aspects of Western Australia's current and emerging strengths. In many instances, generating growth in our digital economy, renewables, and advanced manufacturing sectors will be supported by Asian expansion.

Asialink Business

Why Indonesia?

- 1.1 In March 2022 the Economics and Industry Standing Committee (the committee) tabled its Report 3 *Intergenerational challenges and opportunities for the Western Australian economy to 2041* which, among other things, dealt with how Western Australia (WA) might be able to realise the objectives of the state's economic development framework, *Diversify WA*, and reduce its reliance on iron ore exports.

Particularly for Australia, the greatest trade and economic opportunities over the next 30 years lie in Southeast Asia. This is especially the case for Indonesia, which is projected to become the fifth largest economy in the world by 2030.

- Australia-Indonesia Institute

- 1.2 Following that broad inquiry into the WA economy, the committee decided to narrow its focus to look at the state's bilateral trade and investment relationship with a key market in South East Asia. Asia is expected to deliver two-thirds of global growth over the next decade, with growth in India, Vietnam and Indonesia expected to be among the highest in the world.¹
- 1.3 The committee identified that it would look at WA's bilateral trade and investment relationship with Indonesia, particularly in light of the recent ratification of the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA), which, after almost 15 years of discussion and negotiation, entered into force on 5 July 2020. This agreement creates an economic partnership framework under which the Australia-Indonesia relationship can reach its full potential.
- 1.4 Indonesia is the largest economy in Southeast Asia and is comprised of more than 300 ethnic groups contained within the archipelago nation. According to the World Bank it recovered

1 Submission 15, Asialink Business, p. 1.

well from the Asian financial crisis in the late 1990s, subsequently demonstrating ‘impressive economic growth.’²

- 1.5 In recent years the Indonesian economy has performed stably and grown at a rate of approximately five per cent annually.³ Economic growth in Indonesia expanded to 5.3 per cent in 2022—the highest in the previous decade and stronger than the median growth rate for the region. Strong growth continued into 2023 with five per cent growth in the first quarter, and was ‘projected to moderate to 4.9 per cent in 2023 and stay broadly flat at 5 per cent in the medium term.’⁴
- 1.6 Indonesia is the 16th largest global economy, and is expected to sit within the top 10 global economies by the mid-2030s, potentially reaching fifth largest by 2030.⁵ PwC predicts it will be the fourth largest economy in the world by 2050.⁶
- 1.7 Currently Indonesia is the world’s fourth most populous country and the third largest democracy in the world, with population numbers expected to peak at 337 million by the 2060s. The Indonesian population is increasingly better educated, more urban, more employed and younger in age, contributing to an increasingly larger working age population.⁷
- 1.8 Indonesia is a market with almost 12 million households, expected to grow to 46 million households by 2040. Indonesia also has a relatively young tech-savvy population with increasing disposable incomes, who are ‘looking to leading foreign products and services in areas such as health, education, premium food, lifestyle products and more.’⁸
- 1.9 The digital transformation taking place in Indonesia is significant. Indonesia’s rapidly growing digital ecosystem includes e-commerce, ride-sharing services, media distribution and financial services. Furthermore, the COVID-19 pandemic has accelerated the shift to online services. With Indonesia moving up the technology curve, internet and mobile use is increasing. Indonesia’s accelerating 5G rollout is looking to leap-frog 3G and 4G infrastructures into a 5G world, and associated economic opportunities are growing and shifting at a rapid pace.
- 1.10 As one of Australia’s most important and valued regional partners, Indonesia will be a priority for deepening economic, commercial and trade ties. This important relationship has been strengthened by the entry into force of the IA-CEPA, a key component of the 2018

2 The World Bank, *The World Bank in Indonesia: Overview*, 5 April 2022, accessed 10 August 2023, <<https://www.worldbank.org>>.

3 Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, p. 16.

4 The World Bank Group, *Indonesia Economic Prospects Series: The Invisible Toll of COVID-19 on Learning*, World Bank Publications, Washington DC, USA, 2023, pp. 1, 2.

5 Submission 15, Asialink Business, p. 1; Submission 2, Australia-Indonesia Institute, p.3.

6 PwC Global, *The World in 2050*, February 2017, accessed 10 August 2023, <<https://www.pwc.com>>.

7 Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, p. 16.

8 Submission 15, Asialink Business, p. 1.

Comprehensive Strategic Partnership between Australia and Indonesia which ‘endorsed promoting economic integration and sustainable economic growth.’⁹

- 1.11 There are some key areas of economic complementarity which, if the relevant connections are established, can work to benefit both WA and Indonesia within the broader Australia-Indonesia relationship. This report explores how the state government can work to strengthen our ties with Indonesia into the future to ensure mutual prosperity and well-being for Indonesians and West Australians.

Finding 1

Indonesia has demonstrated stable economic growth since the Asian financial crisis in the late 1990s. It is predicted to be the fifth largest economy in the world by 2030 and fourth largest by 2050.

Recommendation 1

The state government should prioritise our relationship with Indonesia—our closest neighbour and a country which is predicted to be the fourth largest economy in the world by 2050.

Key findings

- 1.12 An inquiry into WA’s bilateral relationship with Indonesia made sense, given that Indonesia is WA’s closest neighbour and an important trade partner, although currently under-represented in WA’s trade and investment statistics. Given Indonesia’s geographical proximity to WA, research suggests that the trade and investment relationship between the two might be stronger than it has been. The low levels of trade and investment flows between WA and Indonesia have been broadly attributed to each having a similar set of exports, and to cultural differences.¹⁰
- 1.13 It is widely accepted that Indonesia’s rapid economic growth presents opportunities for WA to progress its economic diversification agenda. However, this is not a given. Indonesia is ‘a vast and emerging market, but it is also complex.’ For Indonesia to be a thriving market for WA’s products and services, long-term investment and relationship building is necessary.¹¹
- 1.14 The relationship between WA and Indonesia has been described as ‘transactional’, and the committee heard from key stakeholders that commitment and investment is required to develop it into an economic partnership as envisaged under the IA-CEPA. This will then open up opportunities for increased trade and investment flows. If this is not done soon, WA risks missing opportunities in Indonesia as it becomes a global economic powerhouse.
- 1.15 One of the key messages from this inquiry is that relationships matter, and building a strong bilateral trade and investment relationship must be done at all levels: government to government; business to business; and people to people. Developing those relationships

9 Submission 6, Department of Foreign Affairs and Trade, p. 1.

10 Department of Treasury, *The Indonesia-Australia Comprehensive Economic Partnership Agreement: Implications for Western Australia*, Government of Western Australia, Perth, 2019, pp. 2, 4.

11 Submission 14, Indonesia Institute, p. 7.

starts with people-to-people connections and is vital to increasing trade and investment flows between WA and Indonesia. The relationship must go beyond trade and investment to ensure value creation, collaboration, and the development of human capital.

- 1.16 In this regard, building trust is important. Asialink Business suggests that ‘... there is a pervasive community view of distrust and misunderstanding in Australia that is counterproductive to the opportunities awaiting businesses willing to look to Indonesia.’ It is unfortunate that many Australians have an ‘outdated and incomplete (or incorrect) picture’ of Indonesia. This will prevent us being Indonesia’s ‘partner of choice in the country’s economic growth.’¹²
- 1.17 After discussing this with a range of stakeholders, the committee concluded that one of the key ways to address this lack of understanding is to better educate West Australians about Indonesian culture and language. People-to-people connections will also facilitate a shared experience and greater understanding between our two cultures. One way this can be brought about is by increasing the number of Indonesian visitors to WA.
- 1.18 As a part of its investigations the committee wanted to better understand the role of the state government within Australia’s national trade and investment ecosystem, particularly in relation to engaging with Indonesia. For example, it asked inquiry participants: when is it opportune for the state to participate in the Team Australia approach to the national trade and investment agenda led by the Department of Foreign Affairs and Trade (DFAT) and Australian Trade and Investment Commission (Austrade)? And how and when can the state government optimise outcomes for the state by adopting a WA brand approach in its Indonesian trade and investment engagement strategy.
- 1.19 The committee made some interesting observations around competition between the states when it comes to the Indonesian market, hearing that Australian states and territories can sometimes find themselves competing for recognition in the Indonesian market, particularly in sectors that rely on destination awareness, such as international education and tourism. This competition intensifies when it comes to attracting inbound investment.
- 1.20 It is important that WA develops its own unique branding to differentiate it from other states and territories. In the same way that tourism campaigns require unique destination selling points, WA requires an overall brand campaign to sell its distinctive attributes. In particular, cultivating an in-market presence to raise awareness of WA’s brand can be done by further developing the state’s sister-state relationship with East Java.
- 1.21 Ultimately, the committee came to understand that if WA is to capitalise fully on the benefit of the IA-CEPA there must be greater investment in the Indonesian market. There is a risk that, if the bilateral relationship is not made a priority, not only will we fail to capitalise on future benefits but, as the market grows, WA stands to lose market share in current important Indonesian export sectors such as wheat and livestock.
- 1.22 To develop a mutually beneficial relationship, Indonesia and WA need to move beyond their traditionally transactional approach to trade and investment, and look for ways to add value

12 Submission 15, Asialink Business, p. 1.

to each other's products and services for export to a third market. This will take time, and requires an immediate and ongoing focus.

1.23 Chapter 5 discusses four areas which lend themselves to collaboration under the economic powerhouse model:

- education, training and upskilling
- digital transformation and e-commerce
- battery and electric vehicle (EV) supply chain opportunities
- mining equipment, technology and services (METS) sector.

1.24 The committee recognises that the Indonesian market requires a different engagement style than what WA is traditionally familiar with. In addition, Indonesia itself has changed considerably since the onset of the COVID-19 pandemic, and our engagement strategies should be revised accordingly.

1.25 The state government should sharpen its focus on the relationship with Indonesia. In the past, we have not focused on the unique characteristics of our relationship with Indonesia as well as we might have, especially when compared to our engagement with traditional markets. This represents a missed opportunity, but WA and Indonesia might now make up for lost time. Indeed, recent positive interactions between our two countries and subnational governments suggest that this is indeed possible.

Chapter 2

Western Australia's trade and investment relationship with Indonesia

Today almost every country in the world is reviewing its international relationships and reshaping them to meet the dynamic growth I think we all expect to occur in the world economy as we enter the 21st century. Undoubtedly an essential ingredient of that growth will be the ability of countries to work in more harmony with their neighbours.

Hon Ian Taylor, WA Deputy Premier, 1992

- 2.1 Indonesia has long been regarded as a significant market for Western Australia (WA). In this chapter, the committee briefly sets out the history of the WA–Indonesia trade relationship before turning to its current status. Particular attention is paid to the IA-CEPA, its implementation, and the early trade benefits being realised by WA.

The trade and investment relationship

- 2.2 For over 30 years, the state government has maintained an official presence in Indonesia to encourage greater engagement between businesses, people, and government agencies. The overall goal is to strengthen the trade relationship between the neighbouring economies.¹³
- 2.3 In August 1990, WA entered into a sister-state relationship with East Java, which the state government of the time considered would result in ‘substantial mutual benefits.’¹⁴ Today, the relationship continues to emphasise mutually beneficial outcomes; when the Department of Jobs, Tourism, Science and Innovation (JTSI) renewed the sister-state agreement for a further five years in mid-2022, it sought to develop a targeted memorandum of understanding (MoU) under which a few areas of complementarity are focused upon.¹⁵ Collaboration in education and skills training has been a particular focus under the MoU, as well as tourism and creative industries. The sister-state relationship is seen as providing WA businesses with a ‘competitive edge in accessing opportunities in East Java.’¹⁶ The sister-state relationship is discussed further in Chapter 4 in relation to building WA’s in-market presence in Indonesia. Chapter 5 includes a section on collaboration opportunities in education and training, which includes a discussion about the Western Australia–East Java University Consortium.

13 Ms Rebecca Brown, Director General, Department of Jobs, Tourism, Science and Innovation, *Transcript of Evidence*, 11 May 2022, pp. 8–9.

14 Dr Carmen Lawrence, Premier, Legislative Assembly, *Hansard*, 22 August 1990, p. 4058.

15 Hon Roger Cook, Minister for State Development, Jobs and Trade, Legislative Assembly, *Hansard*, 9 August 2022, p. 3231; Ms Simone Spencer, Deputy Director General, Strategy and International Engagement, Department of Jobs, Tourism, Science and Innovation, *Transcript of Evidence*, 11 May 2022, p. 5.

16 Invest and Trade Western Australia, *Indonesia Market Outlook 2022–2023*, Department of Jobs, Tourism, Science and Innovation, Perth, 2022, p. 2.

- 2.4 WA's international trade and investment office in Indonesia has also contributed to strengthening the WA–Indonesia trade relationship. This office was initially responsible for managing WA's sister-state relationship with East Java and was established in 1992 in Surabaya. In 2003, the office moved to the Indonesian capital, Jakarta, to manage the state's broader trade and investment relationship with Indonesia.¹⁷
- 2.5 The Jakarta office supports WA businesses seeking trade and investment opportunities in Indonesia, and Indonesian businesses looking to trade with and invest in WA.¹⁸ According to JTSI, both the office and sister-state agreement with East Java have 'broadened and deepened' WA's relationship with Indonesia.¹⁹ There is a more detailed discussion about the Jakarta office in Chapter 4 (see the section on cultivating an in-market presence).

Finding 2

Indonesia has long been regarded as a significant market for Western Australia. For over 30 years, the state government has maintained an official presence in Indonesia to encourage greater engagement between businesses, people, and government agencies.

Finding 3

Western Australia's sister-state agreement with East Java has been in place since 1990. The recently negotiated renewal of the memorandum of understanding, which is the framework for the agreement, sought to develop a targeted arrangement focusing on key areas such as education, training, tourism and creative industries.

Finding 4

Western Australia's trade and investment office in Jakarta supports Western Australian businesses seeking trade and investment opportunities in Indonesia, and Indonesian businesses looking to trade with and invest in Western Australia.

- 2.6 More recently, WA has benefited from the three trade agreements to which both Australia and Indonesia are parties: the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), the Regional Comprehensive Economic Partnership Agreement (RCEP), and the IA-CEPA. These trade agreements have been described by the Indonesian Chamber of Commerce and Industry (KADIN) as 'pillars of the partnership' between Indonesia and Australia, although some of the agreements—most notably the IA-CEPA—are yet to be used to their full potential.²⁰ The IA-CEPA is discussed throughout the report while Box 2.1 provides a broad overview of all three trade agreements.

17 Hon Mark McGowan, Premier, *25-year milestone for Western Australia's Indonesian trade office*, media release, 23 April 2017.

18 Invest and Trade Western Australia, *Indonesia Market Outlook 2022–2023*, Department of Jobs, Tourism, Science and Innovation, Perth, 2022, pp. 2, 10.

19 Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 1.

20 M. Arsjad Rasjid P.M., Chairman, Indonesian Chamber of Commerce and Industry, 'Australia-Indonesia: Maximising the potential in two-way trade and investments', *Australia Indonesia Business Council Conference*, Darwin, 2022.

Box 2.1: Trade agreements

ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA)

The AANZFTA is an agreement between all 10 ASEAN members (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam), Australia and New Zealand. It came into force on 1 January 2010, reducing tariffs and providing greater market access for WA businesses in certain sectors, ranging from meat and livestock through to steel and copper.

Ten years after it came into force, a survey by the Australian Chamber of Commerce and Industry (ACCI) found it was the third most utilised free trade agreement by Australian businesses. This is particularly significant for WA, since a whopping 71 per cent of survey respondents were based in WA.

Regional Comprehensive Economic Partnership Agreement (RCEP)

The RCEP is the most recent trade agreement to involve both Indonesia and Australia. It entered into force on 1 January 2022 for 10 countries, including Australia, but it was not until 2 January 2023 that it came into force in Indonesia.

It is the world's largest free trade agreement based on member countries' gross domestic product (GDP). According to DFAT, in 2021, 83 per cent of WA's goods trade, 87 per cent of its exports and 57 per cent of its imports were with RCEP members.

Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)

The IA-CEPA is a regional trade agreement between Indonesia and Australia that entered into force on 5 July 2020. It promotes economic partnership between businesses, individuals and communities in both Australia and Indonesia. The IA-CEPA is discussed in greater detail throughout the report.

Sources: Department of Foreign Affairs and Trade, *ASEAN-Australia-New Zealand FTA*, n.d., accessed 17 July 2023, <<https://www.dfat.gov.au>>; Australian Chamber of Commerce and Industry, *National Trade Survey 2021: Full Report*, Australian Chamber of Commerce and Industry and University of South Australia, Australia, 2021, pp. 91, 105; Submission 6, Department of Foreign Affairs and Trade, p. 7; Department of Foreign Affairs and Trade, *Regional Comprehensive Economic Partnership Agreement (RCEP)*, n.d., accessed 18 July 2023, <<https://www.dfat.gov.au>>.

Finding 5

Western Australia benefits from three trade agreements which include Indonesia: the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), the Regional Comprehensive Economic Partnership Agreement (RCEP), and the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA).

- 2.7 When asked how they viewed the evolution of trade between WA and Indonesia, inquiry participants described a relationship that fluctuated according to political tensions and policy and regulatory changes:²¹ a 'sometimes challenging' relationship.²²
- 2.8 The reasons for this can be broadly attributed to cultural differences in ways of doing business, Indonesia's tradition of economic nationalism (often manifested in tariff and non-tariff barriers), and WA's increasing concentration on Chinese markets during the 21st century.²³

21 Department of Jobs, Tourism, Science and Innovation, *The opportunity for Western Australian METS companies in Indonesia*, Government of Western Australia, Perth, 2020, p. 9. See also Mr Robbie Gaspar, President, Indonesia Institute, *Transcript of Evidence*, 30 November 2022, p. 3.

22 Submission 21, Asia Business Council of Western Australia, p. 3.

23 For a discussion on Western Australia's reliance on China as an export market, see the committee's previous report: Economics and Industry Standing Committee, *Intergenerational challenges and opportunities for the Western Australian economy to 2041*, Parliament of Western Australia, 2022.

- 2.9 The similarities in our key exports were also raised several times during the inquiry. Both Australia and Indonesia have traditionally had a comparative advantage in the production of animal, vegetable and food products.²⁴ More significantly for WA, both Australia and Indonesia are rich in mineral and energy resources, and both trading partners produce significant amounts of nickel, copper, gold and petroleum.²⁵ These shared strengths have resulted in a tendency to see Indonesia as a competitor to WA industries.²⁶
- 2.10 Indonesia is also not as steel intensive as our other major trade partners, so we have to look to goods other than iron ore—which is the bedrock of our economic relationship with China—to build our trade relationship.²⁷
- 2.11 The trade relationship has not reached the heights one might have expected from two countries that are—except for the Timor Sea and Indian Ocean—direct neighbours. Our geographic proximity has not borne a trade relationship that research suggests might be expected. As noted above, this has often been explained by the similarity of exports and by cultural differences.²⁸ However, if there are increases in migration and cultural exchange (arguments for which are outlined throughout this report), then ‘it is reasonable to assume’ there will be a positive impact on trade and investment flows.²⁹
- 2.12 The Indonesia Institute said that currently the relationship is ‘transactional’ (as discussed in later chapters) and requires ‘immediate action, commitment and investment to improve relationships and develop opportunities for WA businesses for trade.’ It stressed that if this is not done WA risks missing opportunities in Indonesia as it becomes a global economic powerhouse.³⁰
- 2.13 These tensions are borne out in trade statistics. Although almost all of WA’s major exports to Indonesia grew in 2022 (see Table 2.1), Indonesia remained WA’s eighth largest export market for goods—the same position it held in 2021.³¹ Indonesia features even less prominently among WA’s import markets, dropping two places from WA’s 11th largest import market for goods in 2021 to 13th in 2022.³² The value of imported goods has also fluctuated over the past 10 years from a high in 2012 to a near-low in 2022 (see Figure 2.1).

24 Australia Indonesia Business Council, First IA-CEPA Submission, p. 32 in Submission 21, Asia Business Council of Western Australia, p. 49.

25 Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 2. See also Submission 7, Department of Mines, Industry Regulation and Safety, p. 2; Submission 22, Chamber of Minerals and Energy of Western Australia, p. 2.

26 For example, see Submission 7, Department of Mines, Industry Regulation and Safety, p. 3.

27 Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 2.

28 Department of Treasury, *The Indonesia-Australia Comprehensive Economic Partnership Agreement: Implications for Western Australia*, Government of Western Australia, Perth, 2019, pp. 2, 4.

29 *ibid.*, p. 6.

30 Submission 5, Indonesia Institute, p. 5.

31 Department of Jobs, Tourism, Science and Innovation, *Western Australia Trade Profiles – June 2023*, Government of Western Australia, Perth, 2023, p. 17; Department of Jobs, Tourism, Science and Innovation, *Western Australia Trade Profiles – April 2022*, Government of Western Australia, Perth, 2022, p. 16.

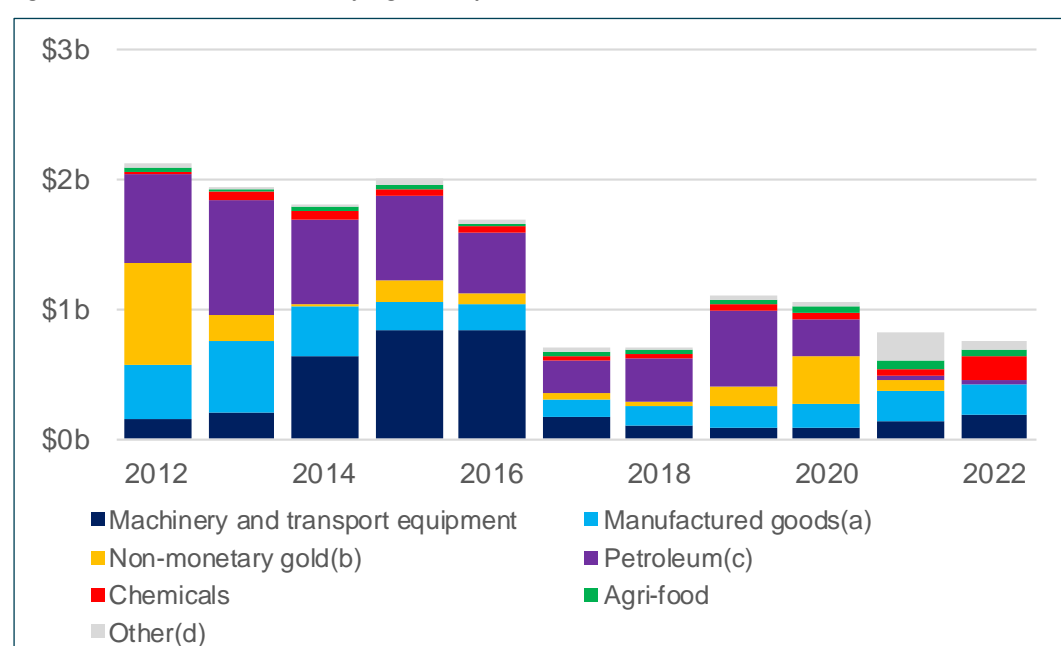
32 *ibid.*

Table 2.1: Western Australia's major goods exported to Indonesia: 2022

	Value (\$m)*	Share (%)	Annual change (%)	Rank as WA market
Petroleum ¹	1,175	31	+16	8
Wheat	962	25	+49	2
Iron ore	956	25	+5	6
Live animals ²	220	6	+47	1
Alumina ³	131	3	-48	13
All other goods	347	9	+13	
Total exports	3,792	100	+16	8

* A\$ are used throughout this report, unless otherwise specified; 1. LNG, condensate, crude oil and LPG; 2. Mainly cattle; 3. May include bauxite.

Source: Department of Jobs, Tourism, Science and Innovation, *Western Australia Trade Profiles – June 2023*, Government of Western Australia, Perth, 2023, p. 17.

Figure 2.1: Western Australia's major goods exported to Indonesia: 2022

(a) Metals and metal products; rubber tyres; clothing, footwear, apparel and textiles; furniture, fixtures and fittings; non-metallic mineral products; electrical and electronic equipment; and other manufactured goods. (b) For further refining and re-export. (c) Crude and refined petroleum oils. WA exports light crude oils to refineries in Asia and the Middle East for blending with heavier crude oils and imports the refined oil products. (d) Confidential items and minerals.

Source: Department of Jobs, Tourism, Science and Innovation, *Western Australia Trade Profiles – June 2023*, Government of Western Australia, Perth, 2023, p. 17.

2.14 WA needs to develop a better trade relationship with Indonesia, in part because it needs to diversify its economy. As the state government's economic development framework (*Diversify WA* and the accompanying *Supply Chain Development Plan 2021–22*) makes clear, WA's exports are very concentrated in terms of its commodities and markets. Over 52 per cent of WA goods exports go to China, with a value of almost \$135.9 billion.³³ Iron ore dominates this relationship, accounting for 75 per cent of all goods exports. China is also WA's largest import market, accounting for 22 per cent of our goods imports.³⁴ The Minister for State Development, Jobs and Trade, the Hon Roger Cook MLA, has previously noted that

³³ Department of Jobs, Tourism, Science and Innovation, *Western Australia Trade Profiles – June 2023*, Government of Western Australia, Perth, 2023, pp. 2, 3.

³⁴ *ibid.*, p. 3.

this leaves the state ‘vulnerable to future shocks and structural changes in the global economy.’³⁵

- 2.15 WA’s ‘exports to Indonesia are broadly consistent with its general export profile’, with petroleum, wheat and iron ore all being key exports to Indonesia. However, agricultural products do play a more significant role in the case of Indonesia. Wheat has long been an important export for Indonesia (discussed further below) and Indonesia is WA’s largest market for live animal exports (see Table 2.1).³⁶
- 2.16 WA’s ‘current trade and investment relationship with Indonesia appears small in comparison to its relationship with other Asian markets.’ However, it is still the case that WA ‘accounts for the highest share of Australia’s merchandise exports to Indonesia.’³⁷
- 2.17 Over the past two decades WA has lost market share as a destination for Indonesian students, however, JTSI reports that the state government ‘is working to counter this.’³⁸ The visitor economy (which includes tourists and international students) is discussed in more detail in Chapter 3.

Wheat exports

- 2.18 Wheat exports provide a useful insight into some of the benefits and ongoing challenges within the WA–Indonesia trade relationship. According to the Australia Indonesia Business Council (AIBC), Indonesia has been importing WA wheat since the 1970s.³⁹ Between 2012–13 and 2021–22, it imported an average of 1,772.6 kilo tonnes (kt) of wheat per year from WA.⁴⁰ Multiple inquiry stakeholders quantified the monetary contribution of the wheat trade to the WA economy, with quoted values ranging from \$420 million per annum over the past five years to \$646 million in 2021.⁴¹ In 2022, Indonesia continued to be one of the second largest markets for WA wheat, second only to China.⁴²
- 2.19 Much of this wheat is used to manufacture instant and fresh noodles. Australian wheat is able to produce many of the qualities valued by Indonesian millers and food processors, specifically noodle colour, colour stability and texture. Around 3,000 to 3,500 kt of the wheat that Indonesia imports each year is used to manufacture noodles and most of this comes from Australia.⁴³

35 Department of Jobs, Tourism, Science and Innovation, *Diversify WA: Supply Chain Development Plan 2021–22*, Government of Western Australia, Perth, 2021, p. 2.

36 Department of Treasury, *The Indonesia–Australia Comprehensive Economic Partnership Agreement: Implications for Western Australia*, Government of Western Australia, Perth, 2019, p. 7.

37 Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 30.

38 *ibid.*

39 Ms Larissa Taylor, WA Chair, Australia Indonesia Business Council, *Transcript of Evidence*, 23 November 2022, p. 3.

40 Submission 5, Australian Export Grains Innovation Centre, p. 1.

41 Submission 18, Department of Primary Industries and Regional Development, p. 1; Submission 6, Department of Foreign Affairs and Trade, p. 2; Submission 12, Co-operative Bulk Handling Limited, p. 2; Submission 5, Australian Export Grains Innovation Centre, p. 1; Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 3.

42 Department of Jobs, Tourism, Science and Innovation, *Western Australia Trade Profiles – June 2023*, Government of Western Australia, Perth, 2023, p. 17.

43 Submission 5, Australian Export Grains Innovation Centre, p. 1.

- 2.20 However, Australian wheat producers cannot afford to be complacent. The Australian Export Grains Innovation Centre (AEGIC), an independent not-for-profit company whose purpose is to increase value in the Australian grains industry, said that although there will be a growth in demand for wheats for noodle manufacturing, this will come mainly from population growth and not increased noodle consumption. In order to maintain market share, the AEGIC said Australian wheat producers must maintain existing advantages while also improving the qualities in the wheat that will guarantee more textural firmness—something that the AEGIC said is currently inconsistent.⁴⁴
- 2.21 To support the wheat quality required within the Indonesian market, the AEGIC has visited Indonesian wheat millers, purchasers and noodle manufacturers to understand their needs. It then feeds this information into the grains industry in Australia to ensure its wheat is better aligned with the market. Since 2017–18, it has also conducted workshops and webinars for Indonesian customers to demonstrate the beneficial contribution that Australian varieties and wheat classes can make to their flour products.⁴⁵ The importance of the AEGIC's work is recognised by the Department of Primary Industries and Regional Development (DPIRD), which jointly funds its work along with the Australian government's Grains Research and Development Corporation.⁴⁶
- 2.22 The milling of WA wheat in Indonesia has already presented the type of partnership arrangements envisioned under the IA-CEPA. Co-operative Bulk Handling Ltd (CBH) is the largest cooperative in Australia, owned and controlled by approximately 3,600 WA grain growers. Along with Salim Group, an Indonesian food conglomerate, CBH owns the grain processing business Interflour Group, which operates flour mills and malting facilities throughout South East Asia, including Indonesia.⁴⁷
- 2.23 These sorts of partnerships have the potential to bolster the supply chain security of both WA and Indonesia. WA has a ready market for its wheat while Indonesia is assured of the grains necessary for its flour milling operations. The food products manufactured in Indonesia using WA wheat (such as noodles) can then be exported, not only securing a supply of the relevant food for WA but also value for the Indonesian market.

Finding 6

The Western Australia–Indonesia trade and investment relationship has, over time, fluctuated according to political tensions, and policy and regulatory changes. Evidence suggested it was a 'sometimes challenging' relationship, with a tendency to see each other as trade adversaries rather than trade partners.

Finding 7

The Western Australia–Indonesia trade relationship has not reached the heights one might expect from two countries that are—except for the Timor Sea and Indian Ocean—direct neighbours. Unless Western Australia works to change this dynamic, we risk missing opportunities in Indonesia as it becomes a global economic powerhouse.

44 *ibid.*, p. 2.

45 *ibid.*, pp. 5, 6.

46 Submission 18, Department of Primary Industries and Regional Development, p. 6.

47 Submission 12, Co-operative Bulk Handling Limited, p. 2.

Finding 8

Indonesia has been an important trading partner for Western Australia's wheat exports. This sector provides an insight into some of the ongoing challenges and opportunities for the bilateral trade relationship.

Indonesia's trade deficit

- 2.24 At the national level, there has been positive growth in bilateral trade between Indonesia and Australia since the implementation of IA-CEPA. However, we are mindful that the trade deficit between WA and Indonesia has reached USD 6.3 billion in 2021 in favour of WA. The deficit is mostly due to the significant increase in Indonesia's import of raw materials and capital goods, which amount to 92.14 per cent of Indonesia's total imports from Australia in 2021.⁴⁸ This was raised as a concern for several Indonesian stakeholders who participated in the inquiry, who seek more balanced terms of trade.
- 2.25 The Consulate General of the Republic of Indonesia in Perth said the IA-CEPA aims to provide mutual access to each other's markets through tariff reduction and tariff-free quotas. If the aims of the IA-CEPA are realised, both countries will increase the volume of trade and investment respectively in a more balanced manner.⁴⁹

Finding 9

The trade deficit between Western Australia and Indonesia is an issue of concern for Indonesian stakeholders, who would like to see a more balanced trade relationship with Western Australia.

The potential of Indonesia

- 2.26 JTSI sees 'significant scope to grow the relationship' between WA and Indonesia, due to 'Indonesia's size, economic growth trajectory and reforms to open the economy.' As described in a later section of this chapter, the IA-CEPA has already been instrumental in opening up opportunities in some sectors, particularly primary industries.⁵⁰
- 2.27 The committee heard repeatedly about the future promise of Indonesia. As at 2021, it was the largest economy in Southeast Asia,⁵¹ and at least one inquiry participant characterised it as a 'gateway to ASEAN'.⁵²
- 2.28 Key attributes of Indonesia which are particularly relevant to WA include:
- Indonesia is WA's closest regional neighbour.
 - There are strong historic trade links between Northern WA and Indonesia (Makassar).
 - Indonesia is home to a growing number of WA-based companies.

48 Submission 4, Consulate General of the Republic of Indonesia (Perth), p. 5.

49 *ibid.*, p. 7.

50 Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 30.

51 Invest and Trade Western Australia, *Indonesia Market Outlook 2022–2023*, Department of Jobs, Tourism, Science and Innovation, Perth, 2022, p. 2.

52 Submission 14, Indonesia Institute, p. 3.

- Indonesia presents an attractive destination for WA businesses concerned and/or disrupted by trade tensions with other large trading partners.
- Existing trade agreements such as IA-CEPA, RCEP and AANZFTA.
- The strong complementarity that exists in a range of industry sectors.⁵³

- 2.29 Inquiry stakeholders noted Indonesia's growing population, labour productivity and per capita income, which has led to greater demand for services and opportunities for businesses seeking to enter the market.⁵⁴
- 2.30 JTSI said that aside from dips during the Global Financial Crisis in 2009, political tensions in 2015, and the COVID-19 pandemic in 2020 and 2021, the Indonesian economy has also grown at a real rate above five per cent for the past 15 years, with predictions that this growth will continue to 2027.⁵⁵
- 2.31 There is also an increasing appetite for deregulation within Indonesia. While Indonesia is yet to fully implement some of the trade agreements mentioned above, the move to deregulation nevertheless offers Indonesian and WA businesses the opportunity to further engage with their neighbouring market and, over the long term, may have significant and wide-ranging results.
- 2.32 From an import perspective, Indonesia could assist WA's increasing demand for mineral commodities, and manufacturing and construction materials. Urbanisation and industrialisation in WA has grown,⁵⁶ requiring WA to import many necessary materials. Given that Indonesia currently only accounted for two per cent of WA's goods imports in 2022, there is room for growth.⁵⁷
- 2.33 The Consul General of Indonesia in Perth said WA and Indonesia have recently cooperated through various channels to jointly pursue mutually beneficial outcomes under the IA-CEPA. There has been a focus on bilateral economic cooperation in sectors of shared interest: education and training, health, creative economy, energy, primary industries, mining, agriculture, tourism, and technology and advanced manufacturing.⁵⁸

Finding 10

There is considerable underdeveloped potential in the Western Australia–Indonesia relationship. Indonesia's growing population, labour productivity and per capita income are all factors which make it an attractive market for Western Australian businesses.

53 Submission 21, Asia Business Council of Western Australia, p. 3.

54 Indonesia-Australia Business Partnership Group, Submission towards the IA-CEPA, p. 19 in Submission 21, Asia Business Council of Western Australia, p. 107; Submission 18, Department of Primary Industries and Regional Development, p. 1; Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 9.

55 Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 8.

56 Submission 21, Asia Business Council of Western Australia, p. 1.

57 Department of Jobs, Tourism, Science and Innovation, *Western Australia Trade Profiles – June 2023*, Government of Western Australia, Perth, 2023, p. 17.

58 Submission 4, Consulate General of the Republic of Indonesia (Perth), p. 2.

Finding 11

There has been cooperation recently between Indonesia and Western Australia in jointly pursuing mutually beneficial outcomes under the Indonesia-Australia Comprehensive Economic Partnership Agreement. There has been a focus on bilateral economic cooperation in sectors of shared interest: education and training, health, creative economy, energy, primary industries, mining, agriculture, tourism, and technology and advanced manufacturing.

The Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)

- 2.34 The IA-CEPA, entering into force on 5 July 2020, after almost 15 years in the making,⁵⁹ creates a framework for Australian and Indonesia ‘to reach the full potential of [their] bilateral economic partnership.’⁶⁰
- 2.35 The three broad components to the IA-CEPA are: trade, investment, and economic cooperation. The agreement aims to accelerate economic cooperation at all levels—between people, business and government. Most importantly, it moves the bilateral relationship to a ‘global value chain mindset, in which trade and investment between the two partners aims at forming a joint production base to supply other markets.’⁶¹
- 2.36 This joining of forces to access global value chains is the ‘economic powerhouse model’ envisioned under the IA-CEPA. Under this model, complementarities within industries are identified and strengthened to access third-country markets.⁶²
- 2.37 The entry into force of the IA-CEPA has sparked a conversation around the diversification of the Australian economy following trade tensions with other important Asian markets, and it has highlighted opportunities in and with Indonesia.⁶³

While a free trade agreement traditionally aims at increasing exports of final consumption goods between the two partners, the powerhouse concept seeks to establish a value chain comprising the two partner countries which supplies other countries outside the agreement.

- Indonesia-Australia Comprehensive Economic Partnership Agreement: Building the Powerhouse, Policy Paper No. 33, Center for Indonesian Policy Studies

59 For IA-CEPA background and timeline to implementation see Poppy S. Winanti and Kyle Springer, *A New Platform for Deepening Economic Ties: The Indonesia-Australia Comprehensive Economic Partnership Agreement*, Perth USAsia Centre, Perth, 2019, pp. 8–12.

60 Arianto Patunru, Andree Surianta and Pingkan Audrine, *Indonesia-Australia Comprehensive Economic Partnership Agreement: Building the Powerhouse, Policy Paper No. 33*, Center for Indonesian Policy Studies, Jakarta, 2021, p. 8.

61 *ibid.*

62 *ibid.*, p. 10.

63 Submission 21, Asia Business Council of Western Australia, p. 3.

Finding 12

The Indonesia-Australia Comprehensive Economic Partnership Agreement moves the bilateral relationship between Australia and Indonesia towards an economic powerhouse model under which complementarities within industries are identified and strengthened to access third-country markets and participate in global value chains.

Implementation of the IA-CEPA at the national level

2.38 COVID-19 has impacted the implementation of the IA-CEPA, and inquiry stakeholders agreed it is therefore too early to make any definitive statement on its success; however early signs are promising. Lockdowns and work from home measures slowed business-to-business interactions, particularly in Indonesia, where people-to-people connections are vital to success.⁶⁴ Perhaps due to the limited interactions during the pandemic, evidence to the committee suggested that the full range of benefits available under the IA-CEPA may not have yet have 'trickled down' to real outcomes for businesses.

2.39 It might be that businesses are not sufficiently aware of the benefits and/or the bureaucratic procedures to take advantage of the IA-CEPA, with only around one per cent of businesses using the IA-CEPA form as at September 2022. The majority of businesses use the AANZFTA form (see Box 2.1).⁶⁵

Our intention there – and we will discuss this with the Indonesian side – is not to cannibalise the trade under AANZFTA but rather to grow new trade under the new agreement.

- Department of Foreign Affairs and Trade

2.40 DFAT confirmed that the preference for AANZFTA forms over the IA-CEPA may simply be due to familiarity, as AANZFTA has been in force for over 10 years. A number of actors in both markets, including the Committee on Trade in Goods, are investigating the drivers behind the use of AANZFTA to encourage businesses to use the IA-CEPA, which is potentially more streamlined.⁶⁶

2.41 One of these streamlined mechanisms under the IA-CEPA is the declaration of origin provisions, where businesses can self-declare that their products originate from either Australia or Indonesia. This approach can save time and money for both the exporter and importer.⁶⁷ This message was echoed at the AIBC Conference in Darwin, where keynote speakers highlighted that the IA-CEPA has not been used as much as it could be, and there needs to be a push for that to happen.⁶⁸ DFAT explained the intent is not to reduce the trade

64 Ms Simone Spencer, Deputy Director General, Strategy and International Engagement, Department of Jobs, Tourism, Science and Innovation, *Transcript of Evidence*, 11 May 2022, p. 11.

65 Submission 4, Consulate General of the Republic of Indonesia (Perth), p. 5.

66 Mr Richard Emerson-Elliott, Assistant Secretary, Free Trade Agreements Goods Branch, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 23 November 2022, p. 10.

67 *ibid.*

68 For example, see M. Arsjad Rasjid P.M., Chairman, Indonesian Chamber of Commerce and Industry, 'Australia-Indonesia: Maximising the potential in two way trade and investments', *Australia Indonesia Business Council Conference*, Darwin, 2022.

generated under the AANZFTA, rather to complement it and grow new trade opportunities through the IA-CEPA.⁶⁹

- 2.42 The Consul General of Indonesia in Perth recommended bridging the gap between policymakers and businesses through engaging with business people and relevant business councils and chambers of commerce to distribute information on the benefits of the IA-CEPA.⁷⁰
- 2.43 Both Australia and Indonesia have seemingly lacked a uniform national strategy in implementing the IA-CEPA, which has resulted in inconsistent implementation at the state and regional levels.⁷¹ The committee heard consistently throughout the inquiry that it takes time for a top-down approach to implementing an agreement such as the IA-CEPA to achieve results on the ground. It also takes time to develop the necessary policy frameworks and processes.
- 2.44 Asialink Business reported that in their discussions with Australian businesses there was an awareness of the IA-CEPA. However, the pandemic-related challenges of the past few years have prevented these businesses from leveraging any gains arising from its ratification. However, businesses are now indicating that they have the ‘breathing space to take advantage of the agreement.’ Now that the intent is there, what is needed are the tools to execute these advantages.⁷²
- 2.45 Katalis and Asialink Business are currently conducting a bilateral longitudinal business study to assess effects of the IA-CEPA by monitoring a number of businesses using the IA-CEPA over a period of two years.
- 2.46 In terms of a state-based approach, the Consul General of Indonesia in Perth suggested that a ‘more substantial calibration of the whole-government approach to optimise the IA-CEPA’ is needed, ‘including establishing IA-CEPA implementation consultative meetings regularly attended by representatives of WA and Indonesia to review the implementation of IA-CEPA at the WA State-level.’⁷³

Finding 13

Communication gaps between policymakers and businesses have slowed the realisation of benefits available under the Indonesia-Australia Comprehensive Economic Partnership Agreement. However, with a top-down approach, it does take time for the full benefits of the agreement to be felt ‘on the ground’ at the business level.

69 Mr Richard Emerson-Elliott, Assistant Secretary, Free Trade Agreements Goods Branch, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 23 November 2022, p. 10.

70 Mrs Listiana Operananta, Consul-General, Consulate General of the Republic of Indonesia (Perth), *Transcript of Evidence*, Closed Session, 21 September 2022, p. 3.

71 Submission 4, Consulate General of the Republic of Indonesia (Perth), p. 5.

72 Submission 15, Asialink Business, p. 2.

73 Submission 4, Consulate General of the Republic of Indonesia (Perth), p. 10.

Finding 14

Both Australia and Indonesia have seemingly lacked a uniform national strategy in implementing the Indonesia-Australia Comprehensive Economic Partnership Agreement, which has resulted in inconsistent implementation at the state and regional levels.

Early trade benefits

2.47 The IA-CEPA provides greater market access for both Indonesia and Australia due to significantly reduced tariffs: 100 per cent of Indonesian goods can enter Australia duty-free and 94.6 per cent of Australian goods can enter Indonesia duty-free.⁷⁴ When including those Australian items which can enter Indonesia under significantly improved preferential agreements as per the IA-CEPA, this raises the total amount to 99 per cent of Australian goods.⁷⁵

2.48 While it is too early to make a comprehensive assessment of the full impact of the IA-CEPA on trade, investment and integration between WA and Indonesia, some initial benefits have been recorded. Examples in the primary industries and international education sectors are outlined in following sections. Other benefits are referred to in the discussions on collaboration opportunities in Chapter 5.

Table 2.2: Indonesia-WA trade transaction before and after the implementation of the IA-CEPA

No.	Period	IND export to WA (AUD 000)	IND import from WA (AUD 000)	Trade balance (IND perspective)	Total bilateral trade (AUD 000)	Trade balance out of total trade value	Growth of bilateral trade
Before the implementation of the IA-CEPA							
1	July 2018– June 2019	984,163	2,215,726	-1,231,563	3,199,889	-38.49%	0.49%
2	July 2019– June 2020	1,044,101	2,171,403	-1,127,302	3,215,504	-35.06%	
After the implementation of the IA-CEPA							
3	July 2020– June 2021	974,346	2,596,181	-1,621,835	3,570,527	-45.42%	6.13%
4	July 2021– June 2022	756,242	3,033,232	-2,276,990	3,789,474	-60.09%	

Source: Submission 4, Consulate General of the Republic of Indonesia (Perth), p. 7.

⁷⁴ *ibid.*, p. 7.

⁷⁵ Austrade, *Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA): Overview*, 2023, accessed 20 July 2023, <<https://www.austrade.gov.au>>.

- 2.49 Generally, at the national level, trade and investment between Indonesia and Australia has grown since the entry into force of the IA-CEPA, reaching a record high of USD 12.6 billion in 2021. This growth amounts to 6.13 per cent per annum, significantly higher than the 0.49 per cent trade growth in the years preceding the IA-CEPA.⁷⁶
- 2.50 DFAT told the committee that so far, it sees that the IA-CEPA is performing successfully, as the agreement has opened pathways for Australian exporters in Indonesia building on previous agreements like the AANZFTA.⁷⁷ At the state level, there has been 'significant growth in total bilateral trade during the implementation of IA-CEPA' (see Table 2.2).⁷⁸

Finding 15

The Indonesia-Australia Comprehensive Economic Partnership Agreement provides greater market access for both Indonesia and Australia due to significantly reduced tariffs: 100 per cent of Indonesian goods can enter Australia duty-free and 99 per cent of Australian goods can enter Indonesia either duty-free or under significantly reduced preferential arrangements.

Finding 16

While it is too early to assess the full impact of the Indonesia-Australia Comprehensive Economic Partnership Agreement on trade, investment and integration between Western Australia and Indonesia, early indications suggest it is yielding some initial benefits.

Primary industries

- 2.51 DPIRD told the committee the IA-CEPA has supported and increased exports, with a 25 per cent year-on-year growth in Indonesia in primary industries over 2021, with strong demand for WA products, particularly:
- Grains
 - Livestock
 - Horticulture
 - Premium products
 - Dairy
 - Finished goods (e.g. honey) for premium ends and urban consumers.⁷⁹
- 2.52 The IA-CEPA is incentivising opportunities for WA beef in the Indonesian market. There is an increased demand by the Indonesian urban populations for premium boutique butcheries. Seventy per cent of Australian beef is consumed in Greater Jakarta, Indonesia's most urbanised centre. The IA-CEPA creates a favourable environment for frozen beef, where WA

76 Submission 4, Consulate General of the Republic of Indonesia (Perth), p. 7.

77 Mr Richard Emerson-Elliott, Assistant Secretary, Free Trade Agreements Goods Branch, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 23 November 2022, p. 2.

78 Submission 4, Consulate General of the Republic of Indonesia (Perth), p. 7.

79 Mr Liam O'Connell, Executive Director, Agribusiness, Food and Trade Directorate, Industry and Economic Development, Department of Primary Industries and Regional Development, *Transcript of Evidence*, Closed Session, 16 November 2022, p. 2; Ms Joan Lim, Manager, Primary Industries Trade, Department of Primary Industries and Regional Development, *Transcript of Evidence*, Closed Session, 16 November 2022, p. 3.

beef is competitive and is in a strong position to seize opportunities in the Indonesian urban market.

- 2.53 The IA-CEPA has also theoretically improved the ability of WA's grains industry to export to Indonesia. As mentioned above, the introduction of the IA-CEPA resulted in 99 per cent of Australian exports being able to enter Indonesia without duties or under improved arrangements. For those exports that were subject to quotas—including feed grains—Indonesia committed to issuing import permits 'automatically and without seasonality'.⁸⁰
- 2.54 The IA-CEPA ensured duty free access for 500,000 tonnes of feed grains (specifically wheat, barley and sorghum) in 2020, plus a five per cent annual growth in that volume thereafter.⁸¹ As at late 2022, however, it did not appear that the feed tariff rate quota had been implemented, as no import permits had been issued. There were suggestions from some inquiry stakeholders this was due to the Indonesian government's desire to protect domestic production and prices,⁸² but DFAT said it had been advised that this was largely a 'technical issue' (albeit one that was 'taking some time and some effort to resolve').⁸³ Any feed grain that has made its way into Indonesia since the IA-CEPA was signed was presumably subject to duties.⁸⁴
- 2.55 The committee was made aware of some early challenges in using the IA-CEPA quota agreements. While products like citrus have benefitted from IA-CEPA quotas and have entered the Indonesian market with reduced tariffs, other agricultural products have faced difficulties in gaining import permits to enter the Indonesian market at reduced tariffs.⁸⁵
- 2.56 Moreover, coordinating preferential access of WA's agricultural products to Indonesia can be complex, as there are three national government departments in Indonesia involved in this process—customs, the department of commerce and trade, and the department of agriculture.
- 2.57 Indonesia has lengthy registration and certification requirements which can delay WA products entering the market. Registration through BPOM, the Indonesian Food and Drug Authority, can take one to two years to obtain, and specific halal certification requirements have reduced interest from WA exporters.⁸⁶
- 2.58 There are ongoing conversations between state and commonwealth departments to flag the above challenges at the policy level with their Indonesian counterparts. DFAT told the committee that the Indonesian and Australian governments have formed a tariff rate quota

80 Submission 6, Department of Foreign Affairs and Trade, p. 4.

81 Submission 5, Australian Export Grains Innovation Centre, p. 3; Submission 12, Co-operative Bulk Handling Ltd, p. 2.

82 Submission 12, Co-operative Bulk Handling Limited, p. 2; Submission 18, Department of Primary Industries and Regional Development, p. 4.

83 Mr Richard Emerson-Elliott, Assistant Secretary, Free Trade Agreements Goods Branch, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 23 November 2022, p. 2.

84 Submission 12, Co-operative Bulk Handling Limited, p. 2.

85 Mr Richard Emerson-Elliott, Assistant Secretary, Free Trade Agreements Goods Branch, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 23 November 2022, p. 2.

86 Ms Joan Lim, Manager, Primary Industries Trade, Department of Primary Industries and Regional Development, *Transcript of Evidence*, Closed Session, 16 November 2022, p. 6.

(TRQ) task force to mitigate trade challenges from the IA-CEPA. The task force has already streamlined processes to obtain permits and certificates between the two countries, and they are currently working on the quota and tariff challenges.⁸⁷

International education

- 2.59 Curtin University praised the protections and increased access for education providers under the IA-CEPA (see Chapter 5 for more detail on the benefits for this sector under the IA-CEPA). It said the IA-CEPA workplace skills training program could facilitate staff from Curtin Bali (its recently established in-market campus) travelling to Curtin Perth for training and development.⁸⁸
- 2.60 An important outcome under the IA-CEPA in the international education sector is the WA technical and vocational education and training consortium (WA TVET: see Chapter 5 for more detail on WA TVET), partnering with the Indonesian International Student Mobility Award for Vocational Students program (the mobility program). This consortium will allow around 50 Indonesian students to study in WA for a semester.⁸⁹
- 2.61 Several stakeholders in the education sector raised the WA TVET's involvement in the mobility program as an example of progress in the international education sector, and an encouraging achievement under the IA-CEPA.⁹⁰ The mobility program is administered by the Indonesian Ministry of Education and Culture, Research, Technology. This partnership between WA TVET and the mobility program has allowed WA tertiary education institutions to access further opportunities with the Indonesian Government.⁹¹ The state government supported the WA TVET with funding to participate in the competitive selection process, and JTSI is hopeful that, in participating in the mobility program, WA TVET will be able to 'build the international student pipeline in Indonesia, and strengthen the State's international education brand in-market.'⁹²

87 Mr Richard Emerson-Elliott, Assistant Secretary, Free Trade Agreements Goods Branch, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 23 November 2022, p. 2.

88 Submission 19, Curtin University, p. 2.

89 Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 15.

90 Ms Rebecca Brown, Director General, Department of Jobs, Tourism, Science and Innovation, Letter, 10 May 2022, pp. 8–9; Submission 8, StudyPerth, p. 5; Submission 19, Curtin University, p. 4.

91 Submission 8, StudyPerth, p. 5.

92 Ms Rebecca Brown, Director General, Department of Jobs, Tourism, Science and Innovation, Letter, 10 May 2022, p. 9; Mrs Krista Dunstan, Investment and Trade Commissioner ASEAN, Department of Jobs, Tourism, Science and Innovation, *Transcript of Evidence*, Closed Session, 13 January 2023, p. 5.

Chapter 3

Relationships matter

If Western Australia is to be successful long-term in Indonesia, the building blocks need to be put in place now to establish and grow relationships socially, politically, culturally and economically. Historically, Western Australia has had strong links with Indonesia however it could be argued that we need to be seen as doing more politically and economically to strengthen our ties, especially post covid.

Indonesia Institute

- 3.1 The central message conveyed to the committee throughout this inquiry is that relationships matter. Building a strong bilateral trade and investment relationship is about partnerships, not transactions. This means investing in relationships at all levels: government; business; and people.

Indonesia is not a transactional economy; it is based around relationships.

- Indonesia Institute

- 3.2 Developing those relationships, which starts with people-to-people understanding and connection, is vital to increasing trade and investment flows between WA and Indonesia. However, increasing these flows should not be the end game. The relationship must go beyond trade and investment to ensure value creation, collaboration, and the development of human capital. This is discussed more in Chapter 5.
- 3.3 The Indonesian Diaspora Business Council submitted that while there are 'a multiplicity of efforts promoted as designed to build trade between Australia and Indonesia' there is a 'fundamental conundrum' in that many of these are short-term activities with time-limited government and industry participation. This approach ignores the reality that the most meaningful relationships between business, government and the international community 'take years, sometimes many years, to build.' The Council said that while the past decade has seen a lot of activity and expenditure by various Australian governments, it has resulted in minimal Indonesian–Australian business-to-business trade.⁹³
- 3.4 The Kimberley Pilbara Cattlemen's Association emphasised the importance of business-to-business relationships at the importer-exporter level. It suggested that state government resources could be used to help 'build and maintain these relationships, once national level arrangements are in place.' This could help to 'ensure importer loyalty', which it said could be particularly useful and valuable for WA and Indonesia given their geographic proximity.⁹⁴

93 Submission 11, Indonesian Diaspora Business Council, p. 1.

94 Submission 16, Kimberley Pilbara Cattlemen's Association, p. 2.

- 3.5 This chapter explores how WA and Indonesia could become better connected, particularly at the community and business level, and how the state government might play a role in facilitating this.

Finding 17

Building a strong bilateral trade and investment relationship is about building relationships at all levels: government to government; business to business; and people to people. Developing those relationships starts with people-to-people connections and is vital to increasing trade and investment flows between Western Australia and Indonesia. The relationship must go beyond trade and investment to ensure value creation, collaboration, and the development of human capital.

Building trust

- 3.6 Relationship building, including bilateral relationships between countries or jurisdictions, comes down to trust. Bilateral trust and reciprocity are developed over time.

- 3.7 Many inquiry stakeholders noted that building trust between Indonesia and Australia needs some work. Cultural understanding plays a large role in this process. People don't trust what they don't understand.

- 3.8 The Lowy Thermometer (see Box 3.2) supports the idea that the relationship needs work. This poll demonstrates steady and positive Australian public views of the United Kingdom and United States, while Indonesia is always trailing behind, despite being a democratic country and a favourite tourist destination for Australians.

Developing trade ... especially between nations like Australia and Indonesia which have significant cultural differences, requires longer-term building of relationships, understanding and trust.

- Indonesian Diaspora Business Council

Box 3.2: Lowy Institute Poll

The Lowy Institute Poll is an annual survey aimed at tracking Australian public opinion and foreign policy. Conducted by the Public Opinion and Foreign Policy program at the Lowy Institute since 2005, it includes a 'feelings thermometer' which captures the degree of warmth that Australians feel towards other countries and territories. The scale ranges from 0° (coldest feelings) through to 100° (warmest feelings).

In 2023, the Lowy Institute noted that Australians have warmed incrementally towards Indonesia since the thermometer began in 2006. Feelings are still relatively cool, however, having only increased seven degrees to 57° in 2023.

By comparison, the United States received a score of 63° in 2023 and Japan and the United Kingdom received 75°. Australia had the warmest feelings towards New Zealand, with a reading of 85°.

Sources: Ryan Neelam, *Lowy Institute Poll 2023*, 21 June 2023, accessed 19 July 2023, <<https://poll.lowyinstitute.org>>; Lowy Institute, *Feelings towards other nations*, accessed 19 July 2023, <<https://poll.lowyinstitute.org>>.

3.9 Lack of cultural, social and political understanding (and at times mistrust) goes both ways, according to witnesses and survey respondents.⁹⁵ Some of the factors at play here include:

- Australia's tight immigration policy and difficulties Indonesians face obtaining visas. This is discussed in more detail later in this chapter.
- Australia's existing focus on Bali as a tourist destination, at the expense of other parts of Indonesia.
- How the respective media of each country portrays the other, particularly the way the Australian media portrays Indonesia and the issues it chooses to focus on (for example, drug offences, terrorism, differences in ideology).⁹⁶
- The sheer complexity inherent in the diversity of Indonesian archipelago.
- Failure to recognise Indonesia's distinct identity from 'Asia'.⁹⁷
- Fundamental cultural differences and ideologies, which impact ways of doing business.
- Political misconceptions (for example, the role of religion in Indonesian politics is not well understood by Australians).
- Geopolitical factors affecting the bilateral relationship.
- Indonesia being perceived as a high-risk business location, or simply too difficult to access compared to other markets.⁹⁸

3.10 WA needs to do its part in changing this narrative, as explained by Indonesia Institute President Robbie Gaspar:

I always talk about my example. I had never been to Indonesia before. I went there in 2005 and I was blown away by how friendly and how great the country is. It is very similar to us. They are very similar. They love their sport; they love their coffee; they love their family; they are outdoorsy; they love to travel. There is an educational piece on our behalf as well for the Western Australian public and Western Australia more broadly.⁹⁹

3.11 Taking advantage of opportunities that become viable within an economic powerhouse partnership requires trust. An example given by the Indonesian Ambassador to Australia, His Excellency Dr Siswo Pramono, was in the field of technology and innovation. Australia has many technologies with a relatively small labour force, while Indonesia has a large labour force and needs more technology. For example, technology is needed in the palm oil industry, of which Indonesia is the largest producer. In particular, the implementation of

95 Economics and Industry Standing Committee, *Inquiry into the Western Australia - Indonesia relationship survey*, 2023; Mr Jonathan Gilbert, Director, Indonesia Economic and Trade Section, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 23 November 2022, pp. 7–8; Mr Michael Faulkner, Manager Economic Development and Business Management, City of Cockburn, *Transcript of Evidence*, 30 November 2022, p. 4.

96 See Asialink Business et al., *Winning in Asia: Creating long-term value*, Asialink Business, Australia, 2020, p. 92.

97 Submission 14, Indonesia Institute, p. 6.

98 For example, see Asialink Business et al., *Winning in Asia: Creating long-term value*, Asialink Business, Australia, 2020, p. 78.

99 Mr Robbie Gaspar, President, Indonesia Institute, *Transcript of Evidence*, 30 November 2022, p. 4.

technology is needed to gain value-added and commercial use of the trunk of the oil palm. According to the Ambassador, this synergy could work well if trust was improved.¹⁰⁰

3.12 Furthermore, the act of identifying these potential economic powerhouse relationships and being seen to work towards them will also serve to build trust, particularly utilising the connections established through business councils and chambers of commerce (Indonesia's KADIN, CCIWA and AIBC/IABC).¹⁰¹

3.13 Examples of possible areas for collaboration to create a powerhouse partnership are discussed in Chapter 5.

All relations start from people's connections. It is essential to cooperate in our efforts to understand each other beyond the surface level and through in-depth collaboration in understanding our culture, customs, and habits.

- Consulate General of the Republic of Indonesia

Finding 18

Building trust between Indonesia and Western Australia based on mutual understanding and transcending cultural differences is an essential step in strengthening the bilateral relationship. When this foundation is developed, mutually beneficial economic opportunities will become viable.

Building connection through people-to-people links

3.14 At a very basic level, trust requires ongoing connection and interaction to flourish. People-to-people interactions are the foundation of trust or, as the Indonesian Consul General in Perth described it, 'the most crucial cooperation'.¹⁰² Once these connections are established then business-to-business and government-to-government links can be further developed.¹⁰³

3.15 The Indonesian Ambassador to Australia talked to the committee about socio-cultural integration, the social and cultural aspects of connection. He explained how government-to-government involvement, education, and community-based initiatives are important aspects of the people-to-people connection and how each of these can be expanded beyond what is currently being done in, and by, WA. His suggestions include:

- Improving government-to-government cooperation across a range of areas including economic development, education and training, sustainability and cross-cultural awareness.
- Within the education and training sectors, investing in science, technology, engineering and mathematics (STEM) education in Indonesia and improving/expanding Indonesian studies and Bahasa Indonesia literacy in WA.

100 His Excellency Dr Siswo Pramono, Ambassador of Indonesia, Embassy of the Republic of Indonesia (Australia), *Briefing*, 2 February 2023.

101 Submission 4, Consulate General of the Republic of Indonesia (Perth), p. 10.

102 *ibid.*

103 Mr Robbie Gaspar, President, Indonesia Institute, *Transcript of Evidence*, 30 November 2022, p. 11.

- Within the wider community, ensuring opportunities for skilled workers and raising cultural awareness.¹⁰⁴

3.16 Other inquiry participants emphasised the need for WA to focus on building interpersonal relations and intercultural understanding, seeing this as fundamental to our interactions rather than simply a tool to advance our trade and investment interests. Murdoch University, for example, submitted that in the absence of an integrated approach, our engagement with Indonesia is ‘likely to remain ephemeral without a strong inter-cultural base.’¹⁰⁵

3.17 The following sections outline some ways that people-to-people links can be fostered to build connection, trust and understanding.

Cultural literacy and language

3.18 The committee heard consistently throughout the inquiry that cultural competency is key to developing our economic relationship with Indonesia. A new generation which is Indonesia literate is urgently needed to ‘drive more profound and valuable connections that will benefit the state’.¹⁰⁶

3.19 Many stakeholders suggested that a long-term strategy to improve Asia literacy in WA must include learning languages—in this case, Bahasa Indonesia—and cultural awareness in schools (see Box 3.3). This learning should continue into tertiary education to demonstrate ‘respect and a long-term investment’ in the bilateral relationship.¹⁰⁷

3.20 Having a better understanding of Indonesia, its language and culture would break down some of the barriers that are currently in place, creating more genuine connection. The Indonesian Consul General in Perth noted the importance of improving cultural literacy and language skills in both directions.¹⁰⁸

3.21 Take, for example, the following evidence submitted by StudyPerth regarding the experience of Indonesian students currently studying in WA:

Friendships are an extremely important part of student life, and the only criticism [Indonesian] students had was the difficulty they sometimes experience integrating with domestic students.¹⁰⁹

3.22 Increasing the numbers of Indonesian students (and other visitors) coming to WA will help to increase Indonesian knowledge of our culture and language and vice versa. The importance of the visitor economy in building links with Indonesia is discussed later in this chapter.

104 His Excellency Dr Siswo Pramono, Ambassador of Indonesia, Embassy of the Republic of Indonesia (Australia), *Briefing*, 2 February 2023.

105 Submission 13, Murdoch University, p. 3.

106 Submission 14, Indonesia Institute, pp. 8–9.

107 *ibid.*, p. 8.

108 Mrs Listiana Operananta, Consul-General, Consulate General of the Republic of Indonesia (Perth), *Transcript of Evidence*, Closed Session, 21 September 2022, pp. 4, 9–11.

109 Submission 8, StudyPerth, p. 3.

Box 3.3: What is Asia literacy?

Asia literacy is essentially an appreciation for, and understanding of, Asian cultures. It goes beyond language skills and encompasses a knowledge of the histories, geographies, and cultures that make up Asia.

Indonesia literacy, for example, might include an understanding of Bahasa Indonesia as well as Indonesia's history; for example, understanding the importance of Indonesia's struggle for independence from colonial rule, and recognition that Indonesians celebrate this on 17 August each year.

As the Economics and Industry Standing Committee of the previous parliament stated in its report into WA's economic relationship with the Republic of India:

'People, businesses, institutions and governments are more likely to build productive business links when they understand and appreciate one another's cultures and leverage the links within and between their communities.'

Source: Economics and Industry Standing Committee, *Turning to India: Investing in Our Future*, Parliament of Western Australia, 2020, p. 290.

- 3.23 Some stakeholders suggested that the state government could provide greater support for Indonesian language programs and studies in schools and universities in order to achieve this outcome.¹¹⁰ Murdoch University notes there is a 'critical need for language proficiency' and that the state government should increase the number of teachers qualified to teach Indonesian language in schools. Not only would this promote the study of Indonesian language at the primary and secondary levels of education, it would also ensure that students are ready to study at an advanced level as soon as they enter university.¹¹¹
- 3.24 In a recent positive development, when Indonesian President Joko Widodo visited Australia in July 2023, discussions between the President and Prime Minister Albanese included 'a strong focus on bolstering education and cultural links' and flagging 'a revamped program teaching Indonesian language and culture in Australian schools.'¹¹²

Finding 19

Having a population which has a good understanding of Indonesian cultures and Bahasa Indonesia supports greater people-to-people connection, which in turn improves our economic relationship.

Recommendation 2

That the state government provides greater support for Indonesian language programs and studies in schools and universities, including implementing a long-term strategy to increase the number of teachers of Indonesian language and culture in Western Australian schools.

110 Submission 2, Australia-Indonesia Institute, p. 5; Submission 6, Department of Foreign Affairs and Trade, p. 8.

111 Submission 13, Murdoch University, pp. 2–3.

112 Nana Shibata and Ismi Damayanti, 'Australia extends business visas for Indonesians', *Nikkei Asia* (web-based), 4 July 2023, accessed 21 July 2023, <<https://asia.nikkei.com>>.

The power of soft diplomacy

- 3.25 Soft diplomacy, or soft power as it is sometimes called, is the ‘ability to influence the behaviour or thinking of others through the power of attraction and ideas’. It is becoming more central to Australia’s foreign policy approach,¹¹³ and is particularly important when engaging with Indonesia because, as the Indonesia Institute explains, ‘Indonesia is a relations based country.’¹¹⁴
- In Indonesia, education is an ecosystem in and of itself. It is often where business ventures and industry relationships are formed. It is an under-utilised opportunity.*
- *Asialink Business*
-
- 3.26 Sectors like the arts, education, and tourism have traditionally been used as an avenue for soft diplomacy between trade partners because they strengthen interpersonal relations and intercultural understanding while also contributing to both countries’ economic development.¹¹⁵ The committee was told WA should have a soft diplomacy strategy to foster such people-to-people connections with Indonesia,¹¹⁶ and during the inquiry it observed that other Australian jurisdictions have taken this approach.
- 3.27 The Indonesia Institute suggested that sport, and in particular, football, would be an effective way to nurture greater connection between Indonesia and WA, and to showcase our state. Football is the ‘number one sport in Indonesia’, with wealthy and high-profile Indonesians owning clubs and participating in the football business.¹¹⁷
- 3.28 The Institute said that WA could take advantage of the state football centre, which is nearing completion, and host a game between a local WA team and a visiting Indonesian football team. The game could be televised live in both countries. As there is a significant social media following of Indonesian players and clubs, the result could be that WA’s visibility in Indonesia increases, and engagement with the Indonesian diaspora in WA may also grow.¹¹⁸
- 3.29 The important role of social media was made especially clear to the committee when it met with Azrul Anada, the owner of the Persebaya Surabaya Football Club in East Java. Persebaya Surabaya has around one million followers on social media, giving it a huge reach into the hearts and minds of Indonesians.
- 3.30 Education and the sharing of contacts, connections and ideas is another way in which soft diplomacy works. For example, Curtin University suggested that market share from Indonesia in the education sector could be improved, ‘by changing the major events funding criteria (or an alternative funding mechanism) to recognise the contribution that transnational education could make to WA’s economic impact, social media impact, tourism,

113 Department of Foreign Affairs and Trade, *2017 Foreign Policy White Paper*, Australian Government, Australia, 2017, p. 107.

114 Submission 14, Indonesia Institute, p. 6.

115 Submission 13, Murdoch University, p. 3.

116 Submission 4, Consulate General of the Republic of Indonesia (Perth), p. 10; Submission 14, Indonesia Institute, pp. 6, 9; Submission 2, Australia-Indonesia Institute, p. 5; Submission 6, Department of Foreign Affairs and Trade, p. 9.

117 Mr Robbie Gaspar, President, Indonesia Institute, *Transcript of Evidence*, 30 November 2022, p. 12.

118 *ibid.*, p. 11.

and the WA brand.’ Curtin noted that ‘there are major arts, culture, and sporting events that would be ideally suited to Bali, but would deliver meaningful value to WA from onflows in education and tourism.’¹¹⁹

- 3.31 An interstate example of soft diplomacy in action is the success of Global Victoria in attracting tech unicorn Bukalapak to establish a research and talent hub in Melbourne (see Box 5.11 in Chapter 5 and Case Study 2). This was achieved by the Victorian government working with the Global Business and Talent Attraction Taskforce (see Box 3.4). The committee was told that creative industries and education are the pillars behind the MoU between Bukalapak and the University of Melbourne, which hosts the technology giant.

Box 3.4: Global Business and Talent Attraction Taskforce

The Global Business and Talent Attraction Taskforce is a federal government initiative led by Austrade and the Department of Foreign Affairs and Trade. Set up in 2020, it aims to lure globally competitive businesses and talent to Australia.

The taskforce targets high yield companies able to bring into Australia new technologies, research and development, intellectual property and capital by working with state government trade and investment networks and industry.

Source: Austrade, *How we help*, n.d., accessed 26 July 2023, <<https://www.globalaustralia.gov.au>>.

- 3.32 As Curtin University pointed out, this kind of initiative is ‘reinforcing the brand and value proposition of Melbourne within the Indonesian market.’ It recommended that WA develop similar partnerships, building on its own economic and trade strengths.¹²⁰
- 3.33 The committee notes the objective in the state government’s trade and investment plan for 2022–2024, to:

Promote WA as a sports event venue and showcase facilities to a global audience

Promote WA as a sports event and training hub for Asia and strengthen economic, tourism and trade ties between the State and Asian countries

Provide financial support to targeted State Sporting Associations strategically aligned to Asia through the Asian Engagement through Sport Grants Program.¹²¹

- 3.34 These types of activities are a good example of soft diplomacy in action.

Finding 20

The use of soft diplomacy is necessary over a long period of time to develop enduring relationships with Indonesia. Other Australian states are already taking this approach and Western Australia is competing not only with other states, but with other developed countries to access this critical market.

119 Submission 19, Curtin University, p. 4.

120 *ibid.*

121 Invest and Trade Western Australia, *Western Australian Investment and Trade Plan 2022–24*, Department of Jobs, Tourism, Science and Innovation, Perth, 2023, p. 19.

Recommendation 3

That the state government develop an Indonesian soft diplomacy strategy, exploring additional opportunities in the arts, language, culture, sports, and education.

Student mobility and exchange

- 3.35 Student mobility is used to describe the physical movement of students to another country to obtain an education. It became clear during this inquiry that encouraging student mobility between Indonesia and WA is an effective way to foster people-to-people connection and importantly, cultural literacy and language skills.

Box 3.5: New Colombo Plan

The New Colombo Plan is an Australian government initiative started in 2014 that aims to lift knowledge of the Indo-Pacific in Australia by supporting Australian undergraduates to study and undertake internships in the region.

The New Colombo Plan Mobility Program provides funding to Australian universities to support Australian undergraduate students to participate in study, internships, mentorships, practicums and research in 40 host locations across the Indo-Pacific region.

It is intended to deepen Australia's relationships in the Indo-Pacific region, through people-to-people links and the expansion of university, business and other ties. The aim is to make studying and working in the region 'a rite of passage for young Australian undergraduate students.'

The Department of Foreign Affairs and Trade states that New Colombo Plan alumni will, over time, 'play an increasingly important role in Australia's relationships with its neighbours to become an influential and diverse network of Australians with direct experience in the Indo-Pacific, strong professional and personal networks across our region, and a driving force in Australia's future prosperity.'

Source: Department of Foreign Affairs and Trade, *Mobility Program*, n.d., accessed 1 August 2023, <<https://www.dfat.gov.au>>; and Department of Foreign Affairs and Trade, *About the New Colombo Plan*, n.d., accessed 1 August 2023, <<https://www.dfat.gov.au>>.

Box 3.6: Australia Awards Fellowship Program

The Australia Awards Fellowship Program is a program administered by the Department of Foreign Affairs and Trade for senior and mid-career leaders and professionals from developing countries. Funding of up to \$30,000 per fellow is granted to Australian organisations, who then host and support professional development initiatives for the visiting fellow(s).

Fellowships are flexible, ranging from two weeks to a full year, and can comprise activities like supervised research, management or leadership courses and work attachments.

The ultimate aim of the program is to strengthen partnerships between Australian organisations and organisations in developing countries and build the capability of the fellows.

Source: Department of Foreign Affairs and Trade, *Australia Awards Fellowships*, n.d., accessed 19 July 2023, <<https://www.dfat.gov.au>>; *Australia Awards Fellowships*, n.d., accessed 19 July 2023, <<https://fellowships.smartygrants.com.au>>.

- 3.36 Scholarships and student exchange programs that facilitate student mobility contribute to the development of long-term relationships.¹²² Two prominent programs offered by the Australian government that include Indonesia are the New Colombo Plan and the Australia Awards Fellowship Program (see Boxes 3.5 and 3.6). Asialink Business said these types of programs have the capacity 'to ramp up the people-to-people exchange opportunities to

¹²² Submission 13, Murdoch University p. 5.

build shared capability.¹²³ The three universities which provided submissions to this inquiry gave examples of how they support students to study internationally:

- ECU has partnerships with education stakeholders, including UNDIKNAS University and the non-profit Australian Consortium for In-Country Indonesian Studies (ACICIS). Activities include offering UNDIKNAS University students opportunities to participate in short course activities, cultural and student exchanges, and international enrichment programs at ECU; and offering in-country study options in Indonesia for ECU students.¹²⁴
- As at September 2022, Murdoch University had three New Colombo Plan grants for student mobility to Indonesia.¹²⁵
- Curtin University is developing Curtin Bali, an initiative offering pathway diploma programs in information technology, media studies, and commerce to Indonesian students in Bali. It envisions that this will eventually evolve to include Indonesian language, culture studies, industry and entrepreneurship programs for WA students and will ultimately increase the Asian literacy of graduates.¹²⁶

3.37 Student mobility is also the primary focus for the Western Australia–East Java University Consortium (WAEJUC) (see Chapter 5). When the committee met with WAEJUC’s Indonesian representatives in East Java, there was a sense of frustration on behalf of the Indonesian partners that not enough was being done to support student and teacher mobility, particularly in regards to funding and government support. This is discussed in more detail in Chapter 5 in the context of collaboration around education and training between WA and Indonesia.

3.38 The committee agrees that more could be done in this area by the state government and private sector players. For example, opportunities under national programs could be better leveraged. Asialink Business considers that the Australia Awards Fellowship Program (see Box 3.6) is underutilised and that WA could use it more effectively to ‘reinvigorate its international education sector.’¹²⁷ Murdoch University suggested that ‘study exchange programs that focus on WA’s areas of strength would be worth considering to expand and complement national policy’.¹²⁸

3.39 According to Asialink Business, WA should reinvigorate its engagement in the education sector by aligning the Indonesian Ministry of Finance LPDP (Indonesian Endowment Fund for Education)¹²⁹ with the expertise residing in the state’s ‘world-class research facilities across common sectors, including engineering, science, medicine, and agriculture.’¹³⁰ Murdoch

123 Submission 15, Asialink Business, p. 4.

124 Submission 3, Edith Cowan University – International Office, p. 1.

125 Submission 13, Murdoch University p. 1.

126 Submission 19, Curtin University, p. 2.

127 Submission 15, Asialink Business, p. 4.

128 Submission 13, Murdoch University p. 5.

129 The LPDP scholarship program provides scholarships for research, higher education and culture. See LPDP, *Registration and Scheduling*, 2023, accessed 31 July 2023, <<https://lpdp.kemendikbud.go.id>>.

130 Submission 15, Asialink Business, p. 4.

University suggested that the state government could consider promoting WA universities to the LPDP.¹³¹

- 3.40 As noted in Chapter 2, the WA TVET consortium partners with the Indonesian International Student Mobility Award for Vocational Students program. This partnership allows 50 students from Indonesia to undertake one semester of studies in WA. The benefit for the Indonesian students is that they gain international experience combined with industry visits and/or internships. The WA trade office could facilitate similar internships for WA students with Indonesian industry partners, especially companies that, as Murdoch University said, undertake activities ‘strategically aligned with the WA economy’.¹³²

Finding 21

Scholarships and student exchange programs that facilitate student mobility are important contributors to building long-term relationships. These types of programs have the capacity to ramp up the people-to-people exchange opportunities and build shared capability.

Recommendation 4

That the state government facilitate the development of study exchange and internship programs that focus on Western Australia’s areas of strength such as engineering, science, medicine and agriculture.

The alumni and diaspora—important international ambassadors

- 3.41 The committee was told that the diaspora community and alumni network of Indonesians who have studied in WA should be regarded as important international ambassadors.¹³³ Indonesians who study in WA often have the social and economic wealth that result in them taking on leadership roles in business or government in Indonesia. The benefit in retaining connections with these individuals and seeking their assistance to support WA’s interests is self-evident.

- 3.42 There is evidence, however, that these cohorts are under-engaged and underutilised when it comes to promoting both Australia and WA. Asialink Business’s Chief Executive Officer Leigh Howard told the committee that we could do better when promoting our educational offerings through alumni and diaspora communities:

Also, on alumni and diaspora, I see this as a big asset in Australia. I am also yet to see a lot in terms of the way of strategies and frameworks for getting a return on that. ... [T]he frameworks and initiatives need to be there. I see more reference to the benefits of diaspora than strategies and frameworks for diaspora engagement.¹³⁴

- 3.43 The Indonesian Consulate General in Perth suggested that since most alumni gatherings are organised by scholarship providers such as the Australia Awards, the state government could

131 Submission 13, Murdoch University, p. 5.

132 *ibid.*, p. 4.

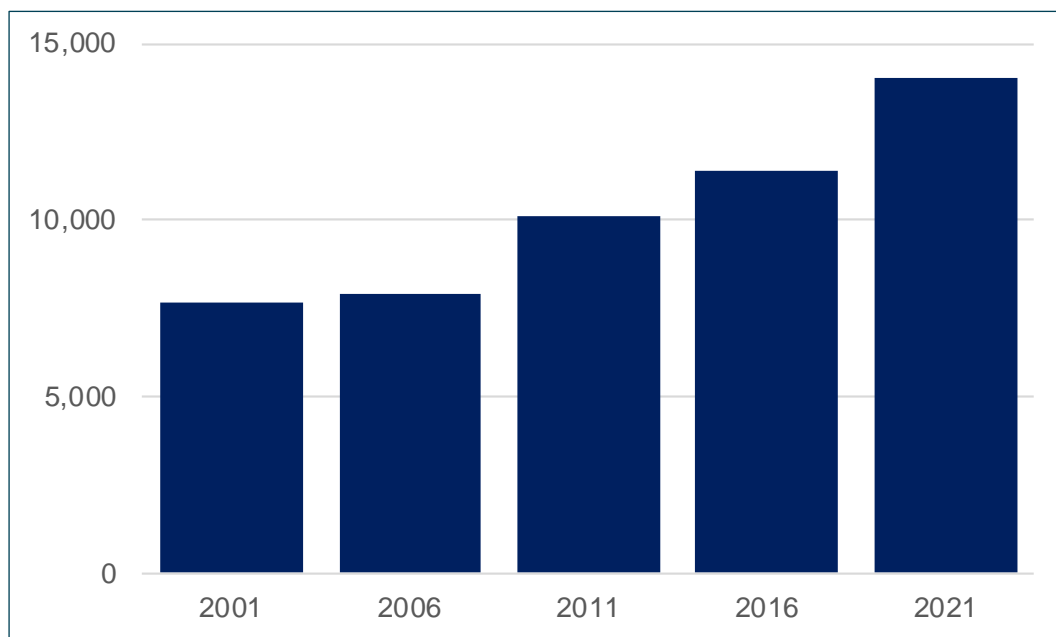
133 Submission 14, Indonesia Institute, p. 9.

134 Mr Leigh Howard, Chief Executive Officer, Asialink Business, *Transcript of Evidence*, 6 December 2022, p. 12.

approach these organisations and seek their assistance to make contact with alumni. It could then utilise these contacts to help raise awareness of WA as a place to visit, study and live.¹³⁵

- 3.44 The Australia-Indonesia Institute, meanwhile, said the Indonesian diaspora could be better engaged to promote WA in Indonesia as a ‘modern, inclusive and multicultural society.’¹³⁶ The Indonesian diaspora community in WA is steadily growing which offers huge potential for engagement (see Figure 3.1).

Figure 3.1: Western Australia’s population born in Indonesia



Source: Department of Jobs, Tourism, Science and Innovation, *Western Australia Trade Profiles – June 2023*, Government of Western Australia, Perth, 2023, p. 18.

- 3.45 The Indonesian Diaspora Business Council (IDBC) believes it is well placed to support engagement with the diaspora. It identified a number of areas in which it could collaborate with the state government, including:

- Promoting the IA-CEPA.
- Developing the relationship between Indonesia and Australia.
- Utilising the connections of the IDBC network to match ‘businesses with relevant stakeholders in government ministries, industries, and nexus talents.’
- Promoting the Brand WA approach to Indonesian trade and investment through IDBC-Tradelink.¹³⁷

¹³⁵ Mrs Listiana Operananta, Consul-General, Consulate General of the Republic of Indonesia (Perth), *Transcript of Evidence*, Closed Session, 21 September 2022, p. 13.

¹³⁶ Submission 2, Australia-Indonesia Institute, p. 5.

¹³⁷ Submission 11, Indonesian Diaspora Business Council, p. 4.

Finding 22

The Indonesian alumni and diaspora communities are underutilised assets in Australia, with few clear strategies, frameworks and initiatives for engaging them.

The importance of the visitor economy

3.46 There are three indicators that capture the health of business-to-business relations between international jurisdictions, including bilateral relations:

- The flow of goods or trade.
- The flow of services and investment.
- The flow of people or presence of natural persons (e.g. Australian tourists in Indonesia; Indonesian students in Australia).¹³⁸

3.47 The demand side of the visitor economy includes short-term arrivals who consume or desire services for stays of less than one year in duration.¹³⁹ Visitor segments used by Austrade in their publications are categorised as follows:

- International travellers coming for education and/or upskilling purposes.¹⁴⁰
- Visitors coming for business purposes, including for conferences, events and conventions.
- International travellers coming for work/ongoing employment.
- Travel for the primary purpose of visiting friends and relatives, for example, weddings.
- Holiday-makers (referred to here as tourists) who visit for the primary purpose of rest, recreation, and leisure (including participating in sport, attending sporting, cultural events or festivals, shopping, or accompanying a conference attendee).¹⁴¹

3.48 The supply side of the visitor economy are those who either provide or promote any one of the services required by the above visitor segments.¹⁴² The following subsectors participate in the visitor economy:

- Accommodation providers.
- Aviation services.
- Culture, arts and recreation services (which can include heritage sites, museums, nature reserves, casinos, other gambling services and sports and recreation services).
- Travel agency and information services.
- Education and training services (attributable to the visitor economy).

138 Indonesia-Australia Business Partnership Group, Submission towards the IA-CEPA, p. 64 in Submission 21, Asia Business Council of Western Australia, p. 153.

139 Austrade, *Opportunities for the Visitor Economy: A modern, diversified and collaborative path to 2030*, Australian Government, Australia, 2021, p. 23.

140 As a rule, international students who stay in Australia for longer than one year without returning home are not included in statistics or analysis in Austrade publications. However, for the purposes of the discussion in this chapter, when international students are referred to it is assumed that they are functioning as part of the visitor economy.

141 Austrade, *Opportunities for the Visitor Economy: A modern, diversified and collaborative path to 2030*, Australian Government, Australia, 2021, p. 24.

142 *ibid.*, p. 23.

- Places that serve food and drinks, including cafes, restaurants and takeaway food services (including catering) and pubs, bars, taverns and clubs.
- Retail trade, including motor-vehicle, fuel, food and other store-based sales.
- Ground transport including water, road and rail.¹⁴³

3.49 It is commonly recognised that having people visit leads to further synergies in trade and investment flows. Visitor segments such as tourists and international students play an important role in fostering people-to-people connections and building trust and cultural awareness between WA and Indonesia.

3.50 Austrade advised that, post-pandemic, Australian states and territories have a critical role in supporting the recovery of the nation's visitor economy. Austrade is leading the development of an International Diversification Strategy for the Visitor Economy in cooperation with Tourism Australia and the states and territories.¹⁴⁴ The strategy builds on the June 2021 Austrade report *Opportunities for the visitor economy*, which found that post-pandemic Australia should work towards a visitor economy that is balanced between maintaining traditional visitor sources (English-speaking and Western markets) while also 'doubling down on fast-growing Asian markets' such as Indonesia.¹⁴⁵

Building markets and attracting international visitors is vital for a prosperous visitor economy in the years ahead and could be a further area of focus for the WA Government as it develops a long-term engagement strategy with Indonesia.

- Austrade

3.51 However, if this potential is to be realised, government and industry will need to work together to 'build supply chains' and 'remove travel frictions.'¹⁴⁶ Barriers particularly relevant to the Indonesian market are explained in the following sections.

Finding 23

Visitors, particularly repeat visitors, lead to further synergies in trade and investment flows. Visitor segments such as tourists and international students play an important role in fostering people-to-people connections and building trust and cultural awareness between Western Australia and Indonesia.

Finding 24

In order to realise the full potential of the visitor economy, government and industry need to work together to build supply chains and remove travel frictions.

143 *ibid.*, p. 25.

144 Submission 10, Austrade, p. 4.

145 Austrade, *Opportunities for the Visitor Economy: A modern, diversified and collaborative path to 2030*, Australian Government, Australia, 2021, p. 47.

146 Austrade, *Tourism policy and strategy*, 2023, accessed 13 June 2023, <<https://www.austrade.gov.au>>; Austrade, *Discussion Paper: International Diversification Strategy for the Visitor Economy*, Australian Government, Australia, 2023, p. 2.

The potential of the Indonesian market

- 3.52 Indonesia is one of four markets identified as having ‘strong potential’ for growing the number of visitors to Australia.¹⁴⁷ When compared to the numbers of Indonesians that travel elsewhere in the region and beyond, Australia’s market share is small. Austrade reports that in 2019 Australia’s market share was less than 1.9 per cent of Indonesia’s total outbound departures. Indonesian travellers preferred to visit Malaysia, Singapore or Germany rather than Australia,¹⁴⁸ despite its relative proximity.
- 3.53 Visitors arriving from Indonesia to Australia increased until 2019 at an average annual rate of 7.5 per cent but were mainly students and people visiting friends and relatives.¹⁴⁹ This highlights the importance of existing personal connections and the flow-on effect that sectors such as international education hold beyond the immediate and obvious market value.
- 3.54 Despite the convenient location and proximity of WA to Indonesia, few Indonesians visit the state. The Indonesia Institute quotes figures which give WA a meagre 0.13 per cent market share of Indonesians visiting abroad.¹⁵⁰ The committee heard some express the opinion that Tourism WA was not adequately targeting the friends and family of Indonesian students studying in WA, even though their pre-existing connections to the state offered an opportunity to increase visitor arrivals.
- 3.55 The reverse is also true. Not only is tourism important in its own right, it is also an important precursor to attracting international students to WA. Anecdotally, the committee heard that Indonesian young people in particular see WA as being dull and unattractive. They are not won over by our beaches because they have beaches at home. Instead, they favour shopping, high-end hotels and lifestyle services—factors which result in them choosing to move to Australia’s east coast. However, we also heard that when Indonesians visit WA for other reasons (for example, a friend’s wedding) and actually experience the state first-hand, they are likely to change their minds and are more open to studying and living here.¹⁵¹

147 *ibid.*, p. 14.

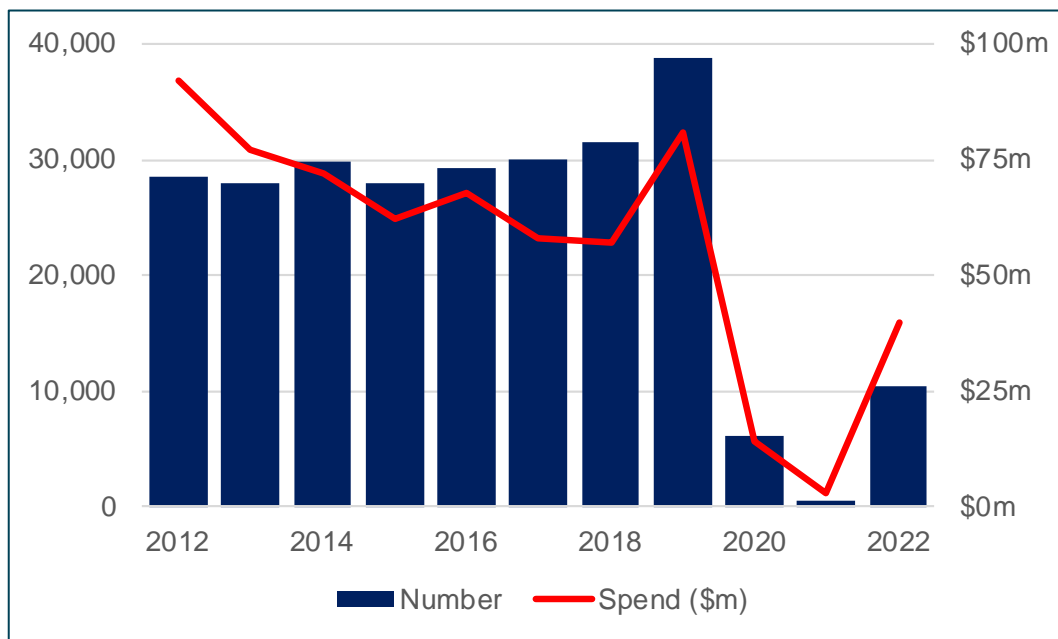
148 *ibid.*, p. 17.

149 *ibid.*

150 Submission 14, Indonesia Institute, p. 5.

151 Mrs Krista Dunstan, Investment and Trade Commissioner ASEAN, Department of Jobs, Tourism, Science and Innovation, *Transcript of Evidence*, Closed Session, 13 January 2023, p. 7; Mr Robbie Gaspar, President, Indonesia Institute, *Transcript of Evidence*, 30 November 2023, p. 6.

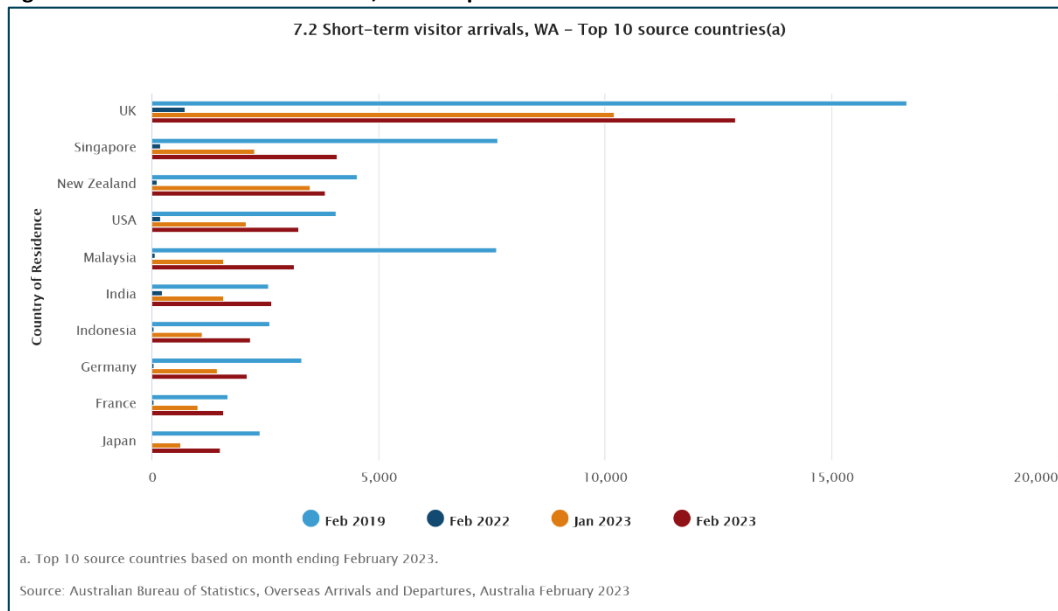
Figure 3.2: Western Australia's visitors from Indonesia



Note – COVID-19 travel restrictions negatively affected international visitors in 2020 and 2021

Source: Department of Jobs, Tourism, Science and Innovation, *Western Australia Trade Profiles – June 2023*, Government of Western Australia, Perth, 2023, p. 18.

Figure 3.3: Short-term visitor arrivals, WA—Top 10 source countries



Source: Australian Bureau of Statistics, *Overseas Arrivals and Departures, Australia*, 13 April 2023, accessed 13 June 2023, <<https://www.abs.gov.au>>.

- 3.56 It is true that WA's international education, tourism, events and creative industries sectors all suffered as a result of the COVID-19 pandemic.¹⁵² Some submitters expect these sectors to rebound as we come out of the pandemic.¹⁵³
- 3.57 JTSI, for example, said that the state's recently-launched *Western Australia – It's Like No Other* global campaign seeks to communicate 'a welcome back message to visitors, international students and skilled workers.'¹⁵⁴ JTSI also argues that the higher incomes generated by Indonesia's economic development will mean more Indonesian tourists will travel to WA, and that this will be complemented by visiting relatives and friends of international students.¹⁵⁵
- 3.58 Currently, however, 'upwardly mobile' Indonesians are not coming to Australia because the wait times for tourist visas can be anywhere from one to six months long.¹⁵⁶ Given that both the tourism and international education markets are more competitive than ever before, this does not bode well for WA unless we can raise the profile and accessibility of our state.
- 3.59 Austrade identifies industry capability and visa competitiveness as supply-side issues that must be addressed before the potential of the Indonesian visitor market can be fully realised.¹⁵⁷ This observation is supported by evidence received by the committee. Supply-side issues are examined in more detail in the following sections.

Indonesians are young, they are tech-savvy and they really like to travel. They are finding that being able to come into Australia is too difficult. They can travel to 70 countries visa free and Australia is not one of them.

*- Robbie Gaspar, President,
Indonesia Institute*

Finding 25

At the national level, Australia's market share of Indonesian visitors is small. Visitors arriving in Australia from Indonesia, while increasing in number up until 2019, were mainly students and people visiting friends and relatives.

Finding 26

Despite its convenient location and proximity to Indonesia, evidence provided to the committee suggests that, in comparison to other destinations, not many Indonesians visit Western Australia.

¹⁵² Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 15.

¹⁵³ Submission 21, Asia Business Council of Western Australia, p. 6.

¹⁵⁴ Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 16.

¹⁵⁵ *ibid.*

¹⁵⁶ Submission 14, Indonesia Institute, p. 5.

¹⁵⁷ Austrade, *Tourism policy and strategy*, 2023, accessed 13 June 2023, <<https://www.austrade.gov.au>>; Austrade, *Discussion Paper: International Diversification Strategy for the Visitor Economy*, Australian Government, Australia, 2023, p. 17.

Finding 27

Difficulties obtaining a tourist visa is one reason that Indonesians choose to go elsewhere. Visa competitiveness is identified by Austrade as a supply-side issue for Western Australia's visitor economy.

Finding 28

Given that both the tourism and international education markets are more competitive than ever before, it will be increasingly important to raise the profile and accessibility of Western Australia in order to encourage Indonesians to visit and study here.

Skills and labour mobility

- 3.60 The supply side of the state's visitor economy also needs access to appropriate cultural and language skills to support increases in visitor numbers. According to Austrade 'this involves training as well as temporary and permanent migration solutions to help fill skill gaps.'¹⁵⁸
- 3.61 A Jobs and Skills Summit was held in 2022, following which the Australian government increased the number of permanent migration visas available in 2022–23 from 160,000 to 195,000. It also released a Migration Strategy for discussion, which was informed by the recent review of the migration system.¹⁵⁹
- 3.62 The WA Chamber of Minerals and Energy (CME WA) provided information about migration and skills development, noting an opportunity to employ Indonesians onshore in WA. It points out, however, that Indonesian education levels need to be aligned with Australian standards as there are reported competency gaps in tertiary qualifications. The CME WA suggests that 'gap training or education facilities' supported by a visa pathway could be provided in WA, which could then supply the labour market.¹⁶⁰
- 3.63 CME WA supplied evidence that Indonesians emigrating overseas for work purposes are typically temporary workers or students (students are especially relevant for Australia), with most of them planning to return to Indonesia at some point. Therefore an opportunity exists 'to revisit temporary labour migration pathways' between Australia and Indonesia, and these could 'intersect with the VET sector to impart critical health and safety competencies.'¹⁶¹
- 3.64 Amongst the Indonesian students surveyed by StudyPerth for the purposes of this inquiry, post-study plans varied, with some planning to get some professional experience in WA before going home. Other students said they were looking at migration pathways 'based on their positive experience of living and studying in Perth.'¹⁶²

158 *ibid.*, p. 13.

159 *ibid.*

160 Submission 22, Chamber of Minerals and Energy of Western Australia, p. 3.

161 *ibid.*

162 Submission 8, StudyPerth, p. 3.

- 3.65 The committee was told that given our skills and labour shortages, a clearer pathway for Indonesian students to be future workers here in WA should be promoted, and vice versa—working holiday makers, for example, could be encouraged to convert to student visas and/or to undertake short courses.¹⁶³ The committee was advised that working holiday visa holders are permitted to undertake short-term study or training options for up to four months of the visa duration, and that WA education institutions do include ‘working holiday makers residing in Perth and regional communities in their marketing activities.’¹⁶⁴
- 3.66 Currently international students in Australia (both VET and university graduates) are able to apply for a Temporary Graduate (subclass 485) visa once they have finished their study, which allows them to access the labour market and gain practical work experience. The length of stay depends on the qualification.¹⁶⁵
- 3.67 The committee believes that this is an area that could be explored further by JTSI as part of its Indonesian engagement strategy.

Finding 29

There is evidence to suggest that Indonesians emigrating for work purposes are typically temporary workers or students. These cohorts could be encouraged to come to Western Australia with the provision of gap training or education facilities, which in turn could be an important source of skills and labour to meet shortfalls in the current Western Australian labour market.

Recommendation 5

That the state government investigate education and training facilities and/or programs which could be established with the objective of providing ‘job ready’ Indonesian emigrants into the labour market.

163 Ms Larissa Taylor, WA Chair, Australia Indonesia Business Council, *Transcript of Evidence*, 23 November 2022, p. 6; Mr Robbie Gaspar, President, Indonesia Institute, *Transcript of Evidence*, 30 November 2022, p. 12.

164 Ms Rebecca Brown, Director General, Department of Jobs, Tourism, Science and Innovation, Letter, 21 March 2023, p. 1.

165 Department of Home Affairs, *Subclass 485 Temporary Graduate visa*, 8 December 2022, accessed 14 August 2023, <<https://immi.homeaffairs.gov.au>>.

Visas and immigration policy

3.68 The committee received a substantial amount of evidence suggesting that the flow of people from Indonesia into WA is being hampered by Australia's current visa requirements. Witnesses were largely in agreement that our visa system is sending a message to Indonesians that they are not welcome. The Consul General told the committee that the existing immigration policy is of a 'pre-IA-CEPA era and has yet to accommodate the spirits embodied in the clauses of IA-CEPA.'¹⁶⁶

3.69 Despite government commitments to improve bilateral business interactions, the committee heard that delegations were finding it hard to get visas for business purposes. Anecdotes of business meetings in WA where some Indonesian partners are able to obtain visas while others cannot were shared.¹⁶⁷

3.70 Problems have also been experienced obtaining tourist visas. Visa requirements and cost appear to be the main issues, as well as the seeming inequity between Australian and Indonesian tourists in the respective jurisdictions. Currently, Australians can pay Rp 500,000 (around \$50) on arrival for a 30-day visa or apply online for an eVisa that includes a small processing fee. The online option only has to be completed a mere 48 hours before arrival. In contrast, Indonesian travellers to Australia must complete a lengthy application that costs \$140 and requires a medical examination, background checks and proof of income.

3.71 The Indonesia Institute described how a family of four seeking to enter Australia are each required to answer 16 pages of questions that are, in many cases, culturally inappropriate. Applying for the visa costs them \$600 and if their application is rejected, they are out-of-pocket because no refunds are offered.¹⁶⁸

3.72 If the difficulties related to obtaining visas continue, our bilateral trade and investment relationship will not grow as envisioned under the IA-CEPA. Without maximising the flow of tourists, business people, students and others, people-to-people relationships cannot be fully realised. Furthermore, reputational damage around WA not being 'Indonesia friendly' may discourage investment.¹⁶⁹ The diaspora is influential and word of mouth can affect the visitor economy.

*We cannot deny
Australia and Indonesia
have different cultures.
And to have better
understanding, the
people-to-people contact
must be continuously
intensified. So easing
visa applications is once
again important, very
important.*

- President Joko Widodo

*...the expense and the
paperwork that they have
to go through just to get a
visa to come down here
sends a signal to them that
they are not welcome. They
are welcome.*

*- Larissa Taylor, WA Chair,
Australia Indonesia Business
Council WA*

166 Submission 4, Consulate General of the Republic of Indonesia (Perth), p. 5.

167 *ibid.*; Mr Robbie Gaspar, President, Indonesia Institute, *Transcript of Evidence*, 30 November 2022, p. 6.

168 Submission 14, Indonesia Institute, p. 5; Mr Robbie Gaspar, President, Indonesia Institute, *Transcript of Evidence*, 30 November 2022, pp. 6, 7.

169 Submission 14, Indonesia Institute, p. 5.

For this reason stakeholders argued that the issues with the current visa system need to be addressed immediately.¹⁷⁰

- 3.73 The Indonesia Institute said the state should support calls to address issues with the visa system, which is the jurisdiction of the federal government.¹⁷¹ It provided the committee with a position paper on what it sees as being the main problems with the current visa system.¹⁷² This can be found at Appendix 6. Noting the issues set out by the Indonesia Institute, the committee wrote to the Department of Home Affairs requesting a response to the issues set out in this paper. The department's response can be found at Appendix 7.
- 3.74 The issue is on Indonesia's diplomatic radar. In the lead up to his official visit to Australia in July 2023, Indonesian President Widodo gave interviews to *The Sydney Morning Herald*, *The Age* and *The Australian Financial Review* and foreshadowed raising what he viewed as a 'very important' matter.¹⁷³ While describing the communication between himself and the Australian Prime Minister as 'effortless', and noting the 'strong bilateral relations' between Indonesia and Australia, President Widodo indicated he was not satisfied with the current visa system. He said that the countries' good relationship should 'be reflected in the ease of travel.'¹⁷⁴
- 3.75 A few weeks earlier, the *West Australian* had reported comments from Indonesian Immigration Director General Silmy Karim that visa-free travel for Australians to Indonesia (which was temporarily revoked following the economic impact of the pandemic on Indonesian tourism) would only be reinstated if Australia did away with the \$140 application fee and tourist visa for Indonesians.¹⁷⁵
- 3.76 Following his meeting with President Widodo, Prime Minister Albanese announced that, among other Indonesia-related reforms, there will be an easing of visa restrictions for Indonesians visiting the country, including access to extended business visas, increasing from three to five years. Access to the Frequent Traveller Scheme visa is also a part of the proposed reforms, which offers 10-year visa validity, and which is hoped to make an 'enormous difference' to the Australia–Indonesian bilateral relationship.¹⁷⁶
- 3.77 Time will tell whether these reforms have the desired effect, and encourage the flow of people between WA and Indonesia. There are early reports that not everyone is happy with

170 Ms Larissa Taylor, WA Chair, Australia Indonesia Business Council, *Transcript of Evidence*, 23 November 2022, p. 4.

171 Submission 14, Indonesia Institute, p. 6.

172 Submission 14A, Indonesia Institute.

173 Matthew Knott, 'As Jokowi comes to visit Australia, he'll make it easier for Indonesians to follow', *The Sydney Morning Herald* (web-based), 3 July 2023, accessed 17 July 2023, <<https://www.smh.com.au>>.

174 Emma Connors, 'Widodo urges 'concrete action' from Albanese to ease US-China rivalry', *Australian Financial Review* (web-based), 30 June 2023, accessed 24 July 2023, <<https://www.afr.com>>.

175 Rachel Fenner, 'Indonesia issues decree officially instating paid visas for travellers to the country including Bali', *The West Australian* (web-based), 21 June 2023, accessed 17 July 2023, <<https://thewest.com.au>>.

176 Gavin Coote, 'Visa extension, climate finance agreements as Indonesian President Joko Widodo visits Sydney', *ABC News* (web-based), 4 July 2023, accessed 21 July 2023, <<https://www.abc.net.au>>; Nana Shibata and Ismi Damayanti, 'Australia extends business visas for Indonesians', *Nikkei Asia* (web-based), 4 July 2023, accessed 21 July 2023, <<https://asia.nikkei.com>>; Prime Minister of Australia, *Australia-Indonesia Annual Leaders Meeting*, 4 July 2023, accessed 22 July 2023, <<https://www.pm.gov.au>>.

the visa reforms. Only Indonesian business people appear to benefit from the reforms announced by the Prime Minister on 4 July 2023. It seems Indonesian holiday-makers, for example, miss out—except for quicker visa processing times,¹⁷⁷ little else has changed for them. The invasive questionnaire and \$140 visa processing fee look set to stay in place.¹⁷⁸

Finding 30

The flow of people from Indonesia into Western Australia has, to date, been hampered by Australia's current visa requirements, which do not appear to embody the intent of the Indonesia-Australia Comprehensive Economic Partnership Agreement.

Finding 31

Ongoing difficulties in obtaining visas may act as a barrier to the development of the Indonesia–Western Australia bilateral relationship. Without maximising the flow of tourists, business people, students and others, people-to-people relationships cannot be fully realised. Furthermore, reputational damage around Western Australia not being 'Indonesia friendly' may discourage business investment.

Finding 32

The Australian Prime Minister has recently announced reforms to the visa system for Indonesian business people, including access to extended business visas and the Frequent Traveller Scheme visa.

Connectivity—direct flights

- 3.78 The importance of direct flights between WA and Indonesian cities was emphasised during the inquiry.¹⁷⁹ Presenters at the 2022 AIBC Conference even suggested that the number of Indonesian students in Australia would not increase until aviation connections improve.¹⁸⁰
- 3.79 Apart from flights between Perth and Denpasar, there have been very few direct flights between WA and Indonesia in recent times. Only AirAsia and Citilink currently fly directly to Jakarta,¹⁸¹ and neither service is more than a few months old. AirAsia began offering four weekly services in early June 2023, while Citilink started its three-weekly return services at the end of July 2023. Together, they are expected to bring hundreds of people to Perth each week and the state government is confident that increasing the number of flights to Indonesia will strengthen tourism links with our closest neighbour.¹⁸²

177 Prime Minister of Australia, *Australia-Indonesia Annual Leaders Meeting*, 4 July 2023, accessed 22 July 2023, <<https://www.pm.gov.au>>.

178 Ross Taylor, 'Business partnerships the winner from Jokowi's visit but visa reforms fall short', *Indonesia at Melbourne* (web-based), 13 July 2023, accessed 22 July 2023, <<https://indonesiaatmelbourne.unimelb.edu.au>>.

179 Submission 14, Indonesia Institute, p. 6

180 'Education, Skills and Training: Future of Work and Education, Maximising Human Capital', *Australia Indonesia Business Council Conference*, Darwin, 2022.

181 Mogens Johansen, 'New direct flights between Perth and Jakarta', *The West Australian* (web-based), 5 April 2023, accessed 20 June 2023, <<https://thewest.com.au>>.

182 Hon Roger Cook, Minister for State Development, Jobs and Trade; Hydrogen Industry; Tourism; Science, *New international direct air route between Jakarta and Perth*, media release, 30 March 2023; Hon Roger Cook, Premier; Minister for State and Industry Development, Jobs and Trade; Public Sector Management; Federal-State Relations and Hon Rita Saffioti, Deputy Premier; Treasurer; Minister for

- 3.80 There are substantially more direct flights between Perth and Denpasar, but these tend to service West Australians holidaying in Bali rather than inbound Indonesian visitors. This route is primarily serviced by low-cost carriers, such as Air Asia, Batik Air, Citilink and Jetsar. The focus of these carriers is less likely to be on the cohorts that WA seeks to attract, such as Indonesian business people, students and family and friends of WA residents. Their impact on the growth of these markets is therefore questionable.
- 3.81 The Economics and Industry Standing Committee of the previous parliament examined direct flights in its inquiry into WA's economic relationship with the Republic of India. In its final report, *Turning to India: Investing in Our Future*, it noted the challenge of securing direct flights but emphasised how integral they were in growing the bilateral relationship across trade and investment sectors. It quoted stakeholders who predicted it would make families more comfortable sending their children to school in WA, and easier for tourists to visit. This would flow into migration, with students seeking to settle here more permanently, which would in turn add value to the local economy.¹⁸³
- 3.82 This committee agrees with the India inquiry about the importance of direct flights in growing WA's relationship with trade partners, and believes many of that inquiry's conclusions are also applicable to the Indonesian context.

Finding 33

Direct flights to a range of Indonesian cities are vital if bilateral trade and investment between Western Australia and Indonesia is to reach its full potential. The majority of existing flights service West Australians travelling to Bali for a holiday, although the recent addition of two direct services to Jakarta are promising developments.

Attracting Indonesian tourists to Western Australia

- 3.83 The former Indonesia Institute President, Ross Taylor, has recently spoken of 'the huge tourism boom coming out of Indonesia'.¹⁸⁴ He said that 'outbound tourism is undergoing substantial growth in Indonesia, rising from 7.7 million international travellers in 2012 to a pre-pandemic high of 11.7 million in 2019'.¹⁸⁵
- 3.84 During the inquiry the committee heard how Indonesians love to travel, and as noted in the Chapter 5 discussion on e-commerce, they spend a significant amount of money on this. Given our proximity to Indonesia this market segment presents a golden opportunity for WA, particularly to build those people-to-people links.
- 3.85 It is widely agreed that we are currently witnessing one of the most competitive tourism markets ever seen. Some who spoke to the committee talked about the WA tourism industry

Transport; Tourism, *WA secures more flights to Indonesia with return of Citilink*, media release, 5 July 2023.

183 Economics and Industry Standing Committee, *Turning to India: Investing in Our Future*, Parliament of Western Australia, 2020, pp. 139–142.

184 Ross Taylor, 'Insulting visa requirements hold Indonesia relationship back', *The West Australian* (web-based), 8 July 2023, accessed 21 July 2023, <<https://thewest.com.au>>.

185 Ross Taylor, 'Business partnerships the winner from Jokowi's visit but visa reforms fall short', *Indonesia at Melbourne* (web-based), 13 July 2023, accessed 22 July 2023, <<https://indonesiaatmelbourne.unimelb.edu.au>>.

being in competition with the eastern states in terms of visibility—that is, when a potential tourist thinks about Australia they may not think of WA, but rather imagine Sydney or Melbourne, regardless of the longer travel times and different time zones.

- 3.86 While the national tourism strategy provides an important framework and coordinated approach to international tourism, WA needs to focus on developing its unique brand in order to grow the state’s tourism export market (building Brand WA is discussed in more detail in Chapter 4). Evidence to the committee suggests that a visible state brand is vital to attracting tourists to WA.
- 3.87 The state government, through the activities of JTSI and Tourism WA, is working to establish this brand and support in-market distribution partners and airlines to ‘reset’ coming out of the pandemic.¹⁸⁶ Tourism WA’s global campaign, *Walking on a Dream*, ‘invites travellers to visit and explore the attributes that make Western Australia a wondrous, dreamlike place.’¹⁸⁷
- 3.88 There are large obstacles to overcome, however. According to Austrade, while Australia appeals to Indonesian tourists, ‘knowledge of Australian destinations and experiences amongst most Indonesian travel agents remains low’ and there is limited access to information in Bahasa.¹⁸⁸ The Indonesia Institute echoed these sentiments, stating there was a lack of tourism campaigns that specifically target the Indonesian market and few connections with major tourism agents in Indonesia.¹⁸⁹
- 3.89 Furthermore, there are other aspects of WA which are a disincentive for Indonesian tourists. One of these is the problem of distance, with the related issue of cost. The committee heard that for Indonesians visiting WA, the vast distances which must be traversed in order to see the sights that WA has to offer proves to be difficult, expensive and time-consuming. In comparison, Indonesians can visit the east coast where tourist attractions are much closer together and easier to access.
- 3.90 While the *Walking on a Dream* tourism campaign showcases the beauty of regional WA, it fails to consider how one might actually access these places in a manner that is affordable and convenient.

Finding 34

Currently we are witnessing one of the most competitive tourism markets ever seen. Evidence suggests that the Western Australian tourism industry is in competition with the eastern states in terms of visibility and ease of access.

186 Invest and Trade Western Australia, *Indonesia Market Outlook 2022–2023*, Department of Jobs, Tourism, Science and Innovation, Perth, 2022, p. 5; Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 16.

187 Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 16.

188 Austrade, *Tourism policy and strategy*, 2023, accessed 13 June 2023, <<https://www.austrade.gov.au>>; Austrade, *Discussion Paper: International Diversification Strategy for the Visitor Economy*, Australian Government, Australia, 2023, p. 17.

189 Submission 14, Indonesia Institute, p. 6.

Attracting Indonesian students to Western Australia

- 3.91 Transformative economic growth in Indonesia over the past 20 to 30 years has created a large market for international education within the growing Indonesian middle class.¹⁹⁰ Indonesia's skills development agenda is further augmenting this demand, making Indonesia an attractive and lucrative market for education and training providers (see Chapter 5).
- 3.92 However, international education is a highly competitive market—the United States, Europe and the United Kingdom are all serious competitors for Indonesian students. In addition to this, there has been a recent surge in quality Asian education providers.
- 3.93 The intake of Indonesian students in Australia has not increased over the past 20 years. In 1999 there were 18,202 Indonesian students studying in Australia. More than 20 years later, immediately prior to the onset of the COVID-19 pandemic, this number remained flat at just over 18,000 students.¹⁹¹
- 3.94 The number of Indonesian students in WA has actually declined: there are less students here today than in the 1990s, with this being the case even before the pandemic temporarily decimated the sector.¹⁹² A 2018 report by Saksara Research estimated that WA has experienced a 70 per cent loss in market share since 1999.¹⁹³ According to Curtin University, in the five years since that report this loss in market share has increased to around 80 per cent.¹⁹⁴
- 3.95 Indonesia was our fifth largest international education market in 2010–2012, which was above the national average. By 2018–2019 it had fallen below the national average to be our 14th largest market. Indonesian enrolments in our state's higher education and vocational education and training (VET) sectors have fallen more than 30 per cent in the last decade.¹⁹⁵ Victoria, New South Wales and Queensland all surpass WA in terms of market share.¹⁹⁶

Curtin University is of the view that the value proposition of Perth as a study destination needs to be better understood and developed. It is ... going to take ambitious initiatives that will clearly elevate the value proposition of Perth above its competitors. The status quo hasn't halted the continued exodus of Indonesian students from Perth, despite apparent advantages that WA could capitalise on developing.

- Curtin University

¹⁹⁰ Submission 19, Curtin University, p. 1.

¹⁹¹ *ibid.*

¹⁹² In June 2019 in Western Australia (prior to the onset of the pandemic), there were 907 Indonesian student enrolments onshore. As of June 2022, there were 644 Indonesian student visa holders (equating to 743 enrolments). See Submission 8, StudyPerth, p. 1.

¹⁹³ Saksara Research Indonesia, *Perceptions and Experiences of Indonesian Students in Australia: Why Not Perth*, 2018, cited in Submission 19, Curtin University, p. 1.

¹⁹⁴ Submission 19, Curtin University, p. 1.

¹⁹⁵ Submission 15, Asialink Business, p. 4.

¹⁹⁶ Submission 19, Curtin University, p. 1.

- 3.96 Curtin University contended that factors contributing to the declining numbers of Indonesian students in Perth include the emergence of quality education providers in Indonesia and the rising costs associated with studying in Australia (education and cost-of-living).¹⁹⁷
- 3.97 WA's reputation among prospective students also plays a part. Reputation is key to determining where students chose to live and study, and evidence suggests that Indonesian young people prefer the eastern states' cities over Perth due to their perceived 'quality of life, public transportation, outdoor activities, and access to entertainment, arts and culture.'¹⁹⁸
- 3.98 The dramatic fall in the number of students choosing to study in Perth over the past two decades is not helpful to our ongoing relationship with Indonesia. A range of inquiry stakeholders spoke to the committee about the importance of attracting more Indonesian students to study in WA.¹⁹⁹
- 3.99 There were some key suggestions that emerged from the inquiry evidence. As Curtin University noted, there are 'significant geographic, education, employment, and migration differentiating advantages' that WA can emphasise when promoting Perth as a study destination for Indonesians.
- 3.100 A survey of Indonesian students in Perth, conducted by StudyPerth as part of their submission to this inquiry, laid out some of these qualities, including that:
- There is an easier-than-expected transition from living in Indonesia to living in Perth due to the 'laid-back lifestyle, space and sense of calmness compared to the big cities of Indonesia, [the] welcoming people, and good public transport infrastructure.'
 - There are beneficial support services in WA, particularly in relation to mental health. Also, there is a willingness to discuss mental health issues here.
 - Perth offers opportunities for jobs and migration.
 - Perth is a 'great place for holidays.'²⁰⁰
- 3.101 The committee is of the view that WA should be emphasising these qualities in our marketing of Perth and that with improved marketing and promotion of Perth, WA may secure a bigger slice of the market. However, as a qualifier, it does note comments provided by Curtin University suggesting that the factors determining WA's market share of Indonesian students in Australia 'is only partially understood', and Curtin's view that 'it is unlikely that a WA brand campaign would overcome the prevailing perceptions of Perth compared to other states.'²⁰¹

197 *ibid.*, p. 3.

198 *ibid.*

199 Mr Robbie Gaspar, President, Indonesia Institute, *Transcript of Evidence*, 30 November 2022, pp. 5–6; Ms Larissa Taylor, WA Chair, Australia Indonesia Business Council, *Transcript of Evidence*, 23 November 2022, p. 4; Mr Leigh Howard, Chief Executive Officer, Asialink Business, *Transcript of Evidence*, 6 December 2022, p. 12.

200 Submission 8, StudyPerth, p. 3.

201 *ibid.*, pp. 7–8.

Case Study 1

A case study of Melbourne's rise to establishing itself as the premier destination for Indonesian (and many other) higher education students is a useful lesson in the role of government, industry, and broader community stakeholders in coordinating a cohesive and well-resourced strategy. The Committee for Melbourne is an apolitical, not-for-profit, member-based organisation that brings together over 130 organisations from Greater Melbourne's business, academic and community sectors, who share a common vision to make Melbourne a better place to live, work and do business. It has been heavily funded to advance the ideas of "Brand Melbourne, Study Melbourne and Live Melbourne". Their work has been instrumental in a range of policy and strategic initiatives that have contributed substantially to Melbourne's reputation as an international higher education destination, and this is in large part to their sophisticated understanding of the student experience.²⁰²

- 3.102 JTSI acknowledged that WA has lost market share to other Australian states and that there is further opportunity to leverage both Australia's popularity as a study destination, and WA's 'lifestyle, natural beauty, multicultural society, connectedness and proximity to Indonesia' to entice more Indonesian students to study in WA.²⁰³ It is likely that this will need to be a long-term strategy, building up WA's market share of Indonesian students which has been lost over time.

Finding 35

Transformative economic growth in Indonesia over the past 20 to 30 years has created a large market for international education within the growing Indonesian middle class. Indonesia's skills development agenda is further driving demand.

Finding 36

International education is a highly competitive market. The United States, Europe and the United Kingdom are serious competitors for Indonesian students. There has also been a recent surge in quality Asian education providers.

Finding 37

Over the past 20 years, the number of Indonesian students in Australia has remained flat, while the number coming to Western Australia has declined. Western Australia has lost market share to eastern states' providers.

Finding 38

There are significant geographic, educational, employment, and migration advantages that can be emphasised when promoting Perth as a study destination. With improved marketing and promotion Perth could secure a bigger slice of the market. However, ambitious initiatives are needed to elevate the value proposition of Perth above its competitors, and it is likely that this will need to be a long-term strategy.

²⁰² Submission 19, Curtin University, p. 3.

²⁰³ Submission 23, Department of Jobs Tourism Science and Innovation, p. 15.

Chapter 4

Building Brand WA

I think Western Australia has a huge amount to offer Indonesia, but I think we have to be very considered about our value proposition and position our visibility around that.

Larissa Taylor, WA Chair, Australia Indonesia Business Council

- 4.1 This chapter begins by outlining the different governance roles and responsibilities for trade and investment in Australia before assessing WA's 'brand', how it interacts with the national umbrella brand, and how best to develop and promote the state's identity in the Indonesian market. It then looks closer at WA's sister-state relationship with East Java.

The partnership between Australian state and federal governments

- 4.2 In the federal system, roles and responsibilities for overseas trade and investment are shared among various entities at the national, state and local government levels. At the federal level, the DFAT, Austrade and, to a lesser extent, Tourism Australia, are the key agencies in overseeing trade and investment.
- 4.3 DFAT's primary role is international diplomacy, and the states and territories follow DFAT on this. For WA inbound missions or for state ministers on outbound missions, DFAT works with JTSI to ensure ministers are appropriately briefed.²⁰⁴ Austrade's role is to promote international trade and investment, and it collaborates with DFAT as 'Team Australia' to drive trade. Austrade also partners with Tourism Australia, which aims to attract international visitors to Australia.²⁰⁵
- 4.4 The WA state government's focus is on trade relations. Invest and Trade WA, as part of JTSI, identifies WA-specific opportunities (and supporting actions) in overseas markets. The current *Western Australian Investment and Trade Plan* sets out current priority initiatives for engaging with individual markets.²⁰⁶
- 4.5 Australian Commonwealth and state governments are therefore partners in implementing trade policy. Where the Australian government leads trade policy negotiations, state agencies, in WA's case JTSI, provide input, thus representing individual state interests.

204 Ms Rebecca Brown, Director General, Department of Jobs, Tourism, Science and Innovation, *Transcript of Evidence*, 11 May 2022, p. 10.

205 *ibid.*

206 Invest and Trade Western Australia, *Western Australian Investment and Trade Plan 2022–24*, Department of Jobs, Tourism, Science and Innovation, Perth, 2023, pp. 12–56.

Australia's Nation Brand and Team Australia

- 4.6 To promote and market Australian goods and services and investment opportunities to overseas markets, the Nation Brand Advisory Council led development of Australia's Nation Brand. The Nation Brand is 'designed as an umbrella brand' under which Australian states, businesses, industries and government agencies can strengthen existing international trade and investment relationships. It allows these diverse parties to present as a united Team Australia. Austrade notes that this brand was designed to be used alongside state brands without replacing them.²⁰⁷
- 4.7 Austrade says it works with state and territory governments to coordinate promotions and communications activity, strengthen brand recognition in key international markets, and to use the Nation Brand to position Australia 'as an attractive investment destination.' Regarding state-based marketing, Austrade noted that a WA branding effort could well complement the Nation Brand.²⁰⁸

Finding 39

Australia's Nation Brand is an umbrella brand under which Australian states and territories are able to build their international engagement trade and investment strategies. It should be used alongside these subnational brands, rather than replacing them.

Team Australia or Brand WA?

- 4.8 The committee received a range of evidence on how national and state-based branding approaches might co-exist in particular circumstances.

Federal–state engagement within the trade and investment ecosystem

- 4.9 Cooperation between the Australian government and states is crucial in creating a Team Australia ecosystem where states can pursue in-market opportunities and solidify their own brands. JTSI suggested that in the past WA had not been sufficiently integrated into the national trade and investment system to take full advantage of potential opportunities. However, JTSI has worked to remedy this in recent years.²⁰⁹
- 4.10 DFAT negotiates 'trade policy with a range of different markets based on their policy settings' and states must identify 'where those opportunities are being incubated' and can then 'come in under those national agreements.'²¹⁰

207 Submission 10, Austrade, p. 2.

208 *ibid.*

209 Ms Simone Spencer, Deputy Director General, Strategy and International Engagement, Department of Jobs, Tourism, Science and Innovation, *Transcript of Evidence*, 11 May 2022, p. 10.

210 *ibid.*

- 4.11 Different areas will require different approaches. JTSI explained that in some areas, such as the defence industry, it is important the Australian government lead through the Team Australia approach.²¹¹
- 4.12 Similarly, new energy is an area where states can follow the Australian government's lead with their own products or services. Australia and Indonesia started preliminary high-level conversations on new energy and the energy transition in 2022, headed by the Prime Minister and federal agencies DFAT and the Department of Industry, Science and Resources (DISR).²¹² WA has a particular interest in the opportunities presented by hydrogen and so is then able to come in under these discussions and continue to advocate for the state's interests.
- ...a country is more likely to have a relationship with the Australian government than it is with an individual state or territory, so us coming in underneath those settings and that banner enables us to put our best foot forward.***
- Department of Jobs, Tourism, Science and Innovation*
-
- 4.13 A Team Australia approach is also preferable where the regional branding of exports is weak. In such cases, the relevant state government agency, such as JTSI or DPIRD, will work closely with Austrade under the Team Australia umbrella to enable better market visibility for products such as, for example, unpackaged agricultural produce like carrots, potatoes and meat.
- 4.14 Other areas of trade will, however, be best served by a state-led approach where WA has 'a greater strength' and 'a greater interest', and where focused effort and specific WA branding is important;²¹³ for example, in international education and tourism.
- 4.15 In the case of international education, JTSI said that while in some cases it could form part of Team Australia and work closely with the Australian government, there will also be opportunities for WA to further pursue opportunities here, led by the international education business development managers in association with StudyPerth. Because international education is destination driven, brand awareness is key.²¹⁴
- 4.16 Regarding state and federal collaboration in the Indonesian market, DFAT observed that WA is, with Victoria, one of the more active states. WA has a unique access point into the Indonesian market via its sister-state relationship with East Java, and DFAT said it did not observe any 'crossover with other states in that area.'²¹⁵
- 4.17 DFAT emphasised that it had seen no 'negative examples' of states working at cross purposes with Team Australia interests, and there 'is generally a pretty collegial

211 Ms Rebecca Brown, Director General, Department of Jobs, Tourism, Science and Innovation, *Transcript of Evidence*, 11 May 2022, p. 10.

212 Mr Jonathan Gilbert, Director, Indonesia Economic and Trade Section, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 23 November 2022, p. 5.

213 Ms Rebecca Brown, Director General, Department of Jobs, Tourism, Science and Innovation, *Transcript of Evidence*, 11 May 2022, p. 10.

214 *ibid.*

215 Mr Jonathan Gilbert, Director, Indonesia Economic and Trade Section, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 23 November 2022, p. 6.

approach.²¹⁶ It did, however, point to ‘practical examples’ where coordination in engaging the Indonesian market under Team Australia could be improved, namely, in energy transition, investment and food security. Regarding inbound investment, DFAT saw potential in a ‘multistate delegation’ going into the market to discuss ‘investment opportunities across different states’, including in renewable energy.²¹⁷

- 4.18 DFAT identified food security as ‘a major issue for Indonesia’, and suggested the state and Australian governments could work within a Team Australia approach for ‘forward contracts for Indonesian flour mills’, and to resolve logistical and supply chain issues across the states.²¹⁸

Finding 40

Cooperation between the Australian Government and states is crucial to creating a Team Australia ecosystem in which states can pursue in-market opportunities and solidify state brands.

Finding 41

A Team Australia approach is advisable where the regional branding of an export is weak. In areas where Western Australia has a particular strength and interest, and/or where the individual state brand is important, a state-led approach should be pursued.

Finding 42

There is an opportunity for a more coordinated Team Australia approach into the Indonesian market to communicate key messages in energy transition, investment and food security.

The role of local government in the trade and investment ecosystem

- 4.19 Local government is also playing a role in shaping WA’s engagement strategy with Indonesia. The City of Cockburn told the committee that while the federal sphere sets the tone of the conversation by developing frameworks (e.g. agreements), and the state initiates engagement, local government operates as the ‘tier that gets things done and delivers and really makes sure that there are those kinds of outcomes that people can see on the ground.’²¹⁹

- 4.20 Local governments are closer to local businesses than state agencies have the capacity to be. This granular knowledge allows them to understand what businesses need and to identify opportunities, including in the Indonesian market. However, it is important that proper coordination of activities across the three tiers of government be in place to avoid any potentially confusing overlaps arising out of local councils’ own engagement with the Indonesian market.²²⁰

216 *ibid.*

217 *ibid.*

218 *ibid.*

219 Ms Victoria Green, Executive Corporate Affairs, City of Cockburn, *Transcript of Evidence*, 29 November 2022, p. 4.

220 Submission 14, Indonesia Institute, p. 4.

Finding 43

Some local governments are playing an important role in supporting businesses expand their trade and investment portfolios into Indonesia, and are well placed to support business growth more thoroughly than the Australian or state governments. However, it is important that these activities are coordinated with state and Commonwealth agendas and activities to avoid confusion and overlap in services provided.

Are Australian states and territories in competition?

- 4.21 Throughout the inquiry the committee observed ways in which Australian jurisdictions might be in competition when it comes to attracting a share of the Indonesian market, particularly in sectors reliant on destination awareness, such as international education and tourism. The Indonesia Institute accepted there is a level of ‘friendly’ competition between states, evident at the B20 business summit in late 2022.²²¹
- 4.22 For example, we know that Indonesian students prefer to come to Australia over other overseas destinations, but once that choice is made, the decision about where to study is essentially a choice between Melbourne, Sydney, Perth, or Brisbane.
- 4.23 As Asialink Business put it, while Indonesia is aware of Australia, the real question is ‘where do they go specifically? Is it Perth, Sydney or Melbourne?’ Moreover, where does this brand awareness come from—from visiting as a tourist, or through international education connections or alumni? These ‘foundational engagements’ develop understanding of the local environment and culture, leading to a sense of familiarity with a particular location. Asialink Business suggested these feelings were something WA could target over the long term ‘because those are not things you can build in a hurry.’²²²
- 4.24 However, there is a tension in this—being overly focused on competition between states can distract from other competition outside Australia (for the hearts of minds of Indonesian students, for example), from countries such as the United States and Britain. The committee believes that the ideal approach is therefore to recognise that growing Australia’s ‘slice of the pie’ internationally is likely to benefit all Australian states and territories. There is huge opportunity to create a stronger WA brand under the Team Australia umbrella to engage the Indonesian market. While there may be some interstate competition for visibility and destination awareness, collaboration creates more opportunity for every state to deliver their own particular products and services.²²³
- 4.25 The committee heard evidence that other states such as Victoria have a strong brand message in Indonesia (and indeed across all ASEAN markets). However, while WA ‘has a huge amount to offer Indonesia’ it must carefully consider its ‘value proposition and position

221 Mr Robbie Gaspar, President, Indonesia Institute, *Transcript of Evidence*, 30 November 2022, p. 5.

222 Mr Leigh Howard, Chief Executive Officer, Asialink Business, *Transcript of Evidence*, 6 December 2022, p. 3.

223 Ms Larissa Taylor, WA Chair, Australia Indonesia Business Council, *Transcript of Evidence*, 23 November 2022, p. 2.

[its] visibility around that.’²²⁴ The following section on ‘Building Brand WA’ outlines ways to achieve this.

- 4.26 States and territories also compete for inbound investment, probably even more so than for recognition in the export markets such as tourism and international education. Here, having a presence in-market is crucial.²²⁵ The benefits that flow from having that presence and visibility in an overseas market present:

... opportunities that you can then build out, because you are focusing on a particular sector, building up a community with both the government officials there, but also the business community, and being known for something. That would really be the takeaway for today.²²⁶

- 4.27 However, this doesn’t mean that WA should ‘copy’ what, for example, Global Victoria does. While the other states are doing ‘great work’ the committee was told this is not necessarily the model that is appropriate for us—WA should carve out its own brand and approach based upon its own available resourcing and particular competitive advantages.²²⁷

Finding 44

Australian states and territories in a sense compete for recognition in the Indonesian market within Australia’s Nation Brand, particularly in sectors that rely on destination awareness, such as international education and tourism.

Finding 45

States and territories compete for inbound investment. Inbound investment is desirable as it presents opportunities which can be built in a particular sector or location—being known for something is a huge advantage for growth and in attracting further inbound investment.

Finding 46

Just because Western Australia might compete with other Australian jurisdictions for recognition and in-market presence does not mean that it should try to emulate other states’ models and approaches. Western Australia should carve out its own brand and approach based upon its own available resourcing and particular competitive advantages.

224 *ibid.*, p. 3.

225 Mr Leigh Howard, Chief Executive Officer, Asialink Business, *Transcript of Evidence*, 6 December 2022, p. 11.

226 *ibid.*, pp. 11–12.

227 *ibid.*, p. 12.

Building Brand WA

- 4.28 Australia's nation brand in Indonesia is well recognised and tested. However, this is not necessarily the case for WA's state brand. Furthermore, the level of brand visibility varies between sectors and products. For example, the committee heard that in Indonesia there is recognition of Australian (rather than WA) agricultural exports such as carrots, potatoes and meat. This is because these types of exports are not packaged and labelled as coming from a distinct region within Australia. Conversely, WA wine has a strong regional brand. Wine industry stakeholders will know quite specifically where a particular wine comes from and the varieties produced in that region.
- 4.29 In terms of the existing profile of WA in Indonesia, Asialink Business said there would be 'a core constituency of people who would know WA and would have had a relationship that could even be intergenerational.' This relationship would likely have been passed down via education or business links or regular recreational visits.²²⁸ StudyPerth highlighted that some Indonesian students are attracted to Perth due to personal connections, such as having family or acquaintances who had lived in Perth.²²⁹ However, WA can build its brand and generate wider interest in ways discussed below.

Finding 47

While Australia's Nation Brand is widely recognised in Indonesia, Western Australia's state brand is not. Furthermore, recognition of Western Australia's brand varies between sectors and products.

Finding 48

Indonesians who know Western Australia often develop this awareness through having intergenerational links with the state, whether through education, business or personal connections.

Positioning Brand WA within Team Australia

- 4.30 Austrade encourages 'careful messaging around branding of Australian products and services to avoid ... having a fragmented approach to international marketing.' It suggests that differentiation is needed to avoid conflicts between state and national branding.²³⁰ This sentiment was broadly supported by other stakeholders.²³¹
- 4.31 The committee heard that, as with tourism campaigns requiring unique destination selling points, WA must differentiate itself from other states and territories to build trust in WA as a partner, to raise awareness of its unique investment and trade opportunities, and to champion the diversity of WA's output beyond mining and gas.²³²

²²⁸ *ibid.*, p. 6.

²²⁹ Submission 8, StudyPerth, p. 3.

²³⁰ Submission 10, Austrade, p. 2.

²³¹ Submission 13, Murdoch University, pp. 1, 3; Submission 16, Kimberley Pilbara Cattlemen's Association, p. 2; Submission 14, Indonesia Institute, pp. 3, 4; Submission 21, Asia Business Council of Western Australia, p. 3.

²³² Submission 14, Indonesia Institute, p. 2.

- 4.32 As Asialink Business notes, states engaging the Indonesian market must emphasise what they are most known for, always asking: 'how do they distinguish themselves in the identity of [their] counterparts overseas?' Building and investing in this unique profile will provide more 'bang for your buck' when engaging with business people.²³³
- 4.33 As this committee has found previously, the state needs a comprehensive Brand WA strategy that aligns with the state government's economic development framework, *Diversify WA*. This requires taking a longer view of the kind of re-branding and strategic marketing effort most appropriate for the WA's circumstances.²³⁴
- 4.34 JTSI is making real progress in this area. For example, DFAT praised JTSI's October 2022 Indonesia Connect event, observing that 'WA is pretty active and doing a lot in that space, and is sending some pretty positive messages to Indonesia, so we hope to see that continue.'²³⁵

Finding 49

Western Australia needs to develop its own unique branding to differentiate it from other states and territories. In the same way that tourism campaigns require unique destination selling points, WA requires an overall brand campaign to sell its distinctive attributes.

Sector specific strategies and branding

- 4.35 The Indonesian Institute argued that, along with WA's overall brand to promote the state's competitive advantage, the state government should develop 'sub-brands for each market.' It envisages this would assist Invest and Trade WA to promote market information about WA.²³⁶ Similarly, Asialink Business recommends going 'sector specific' in developing the state's relationship with Indonesia.²³⁷ Differentiation is crucial particularly in the tourism, education and training sectors. WA needs to identify the skill sets the Indonesian workforce will need and match our expertise with their demand profile (see Chapter 5).
- 4.36 Based on evidence the committee received, the following sections present areas where specific strategies might be pursued.

The food security partnership

- 4.37 As noted above in relation to opportunities for WA under the Team Australia strategy, food security will be an issue for Indonesia into the future. The AIBC observed that WA already has a strong relationship with Indonesia in this area, in that Indonesia has been importing

233 Mr Leigh Howard, Chief Executive Officer, Asialink Business, *Transcript of Evidence*, 6 December 2022, p. 11.

234 Economics and Industry Standing Committee, *Intergenerational challenges and opportunities for the Western Australian economy to 2041*, Parliament of Western Australia, 2022, p. 99.

235 Mr Jonathan Gilbert, Director, Indonesia Economic and Trade Section, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 23 November 2022, p. 6.

236 Submission 14, Indonesia Institute, p. 9.

237 Mr Leigh Howard, Chief Executive Officer, Asialink Business, *Transcript of Evidence*, 6 December 2022, p. 6.

wheat from WA since 1974.²³⁸ Over time this has moved to training partnerships in the milling sector (see Box 4.7).

Box 4.7: Training in the Indonesian flour milling industry

Indonesian flour milling is a rapidly growing industry. According to the Australian Export Grains Innovation Centre (AEGIC), Indonesian mills currently use around eight million tonnes of wheat each year with a growth rate of approximately five per cent. However, this growth is not being matched by increasing numbers of trained staff and there is no 'recognised or accessible training' to address the existing gap.

Since at least 2017, the AEGIC has engaged with Indonesian flour millers to provide training and education through workshops. Much of this engagement has focused on the benefits of using Australian wheat, thereby increasing the likelihood of its use by the Indonesian market. It has worked one-on-one with leading flour milling companies as well as providing online webinars showcasing 'innovation in baking technology and the benefits of using Australian wheat for more cost-effective baking.' It has also developed online learning modules about flour cleaning in both English and Bahasa Indonesia, which are comprised of instructional videos and online quizzes.

More recently, AEGIC has approached Katalis (see Box 5.12) for funding for a further 19 online learning modules. According to AEGIC, the program will 'drive better performance within the Indonesian milling industry' and 'build an educating education resource that will service the industry for over 10 years.'

Source: Submission 5, Australian Export Grain Innovation Centre, pp. 5, 7, 10.

Resources

4.38 The state's expertise in the resources sector, and more specifically in its technology and services aspect, could be further leveraged.²³⁹ Opportunities for WA to stand out are available particularly in new energy and hydrogen.²⁴⁰ Asialink Business states that:

With a mature and robust mining and energy sector, Western Australia has an expansive knowledge base and world-class engineering and industrial capacity. The sector is well connected politically, socially, and economically to Indonesian partners within business and government. Likewise, this expertise and capacity exist in Indonesia. Through this common ground, building linkages across R&D, industry explorations and education would allow the joint progression of the nascent hydrogen and renewable energy industry - a sector that lies waiting with untapped potential.²⁴¹

4.39 WA has prior experience in developing new industries within the mining and resources sector and Indonesian mining companies are looking for international investment opportunities. Partnerships here can then create 'trusted relationships that open investment opportunities in Indonesia.'²⁴²

238 Ms Larissa Taylor, WA Chair, Australia Indonesia Business Council, *Transcript of Evidence*, 23 November 2022, p. 3.

239 Mr Leigh Howard, Chief Executive Officer, Asialink Business, *Transcript of Evidence*, 6 December 2022, p. 6.

240 Ms Larissa Taylor, WA Chair, Australia Indonesia Business Council, *Transcript of Evidence*, 23 November 2022, p. 3.

241 Submission 15, Asialink Business, p. 4.

242 *ibid.*

The digital and technology sector

4.40 The digital and technology sector ‘is wide open for participation’, and is a ‘very investable’ sector for WA. It is also a sector where ‘start-ups and scale-ups’ could be encouraged.²⁴³ The start-up ecosystem in Indonesia is fast developing and attracting international venture capital. Asialink Business suggested the state government should lay the foundation to build an ‘innovation ecosystem with Indonesia’ to create jobs and stimulate economic growth. This can include establishing investment funds and co-investment ‘with partners such as venture capital firms and investment arms of corporates.’²⁴⁴ Asialink Business said such initiatives

would be complemented by elements such as exchange and development programs for founders and VCs, support for digital nomads, and more Indonesian students enrolling in technology training and education in Western Australia (either physically, virtually or hybrid). Over time, there will be opportunities for industry sectors such as Western Australia’s consumer products and food & beverage businesses to sell into Indonesia via e-commerce We are also starting to see the beginning of Indonesian technology companies servicing Australian clients and vice versa, providing economic opportunities for mutual benefit.²⁴⁵

Technology and research collaboration and knowledge transfer

4.41 The Consulate General of the Republic of Indonesia recommends ‘strengthening collaboration on skills exchange and knowledge transfer on relevant critical technologies.’²⁴⁶ The committee heard from various stakeholders that partnerships in research are sorely needed. Partnering is important in building connection and trust, and the IA-CEPA gives Australian industry competitive edge in the ‘sweet spots’.²⁴⁷

4.42 Murdoch University said recent changes at the Indonesian National Research and Innovation Agency (BRIN) have shifted ‘prioritisation of research projects to a national governmental level.’ This provides an opportunity for the state government to engage with the Indonesian government and BRIN to ‘focus on research priorities and their alignment to the research strengths of [WA] to ensure a focus on areas that are of benefit to WA industry and its research agenda.’²⁴⁸

243 Mr Leigh Howard, Chief Executive Officer, Asialink Business, *Transcript of Evidence*, 6 December 2022, p. 6.

244 Submission 15, Asialink Business, p. 3.

245 Submission 15, Asialink Business, p. 3.

246 Submission 4, Consulate General of the Republic of Indonesia (Perth), p. 10.

247 Mr George Iwan Marantika, National President, Indonesia Australia Business Council, ‘Closing address and wrap up’, *Australia Indonesia Business Council Conference*, Darwin, 2022; Mr Kevin Evans, Indonesia Director, Australia Indonesia Centre, ‘AIC key initiatives in Indonesia’, *Australia Indonesia Business Council Conference*, Darwin, 2022; Australia Indonesia Business Council, First IA-CEPA Submission, p. 4 in Submission 21, Asia Business Council of Western Australia, p. 22.

248 Submission 13, Murdoch University, p. 2.

Tourism, events and creative industries

- 4.43 Tourism is vital to the post-COVID-19 economic recovery of both Australia and Indonesia. It is an area where both countries have a strong mutual interest and they currently ‘cooperate on tourism issues through their membership of G20 and APEC (Asia-Pacific Economic Cooperation) Tourism Working Groups.’²⁴⁹
- 4.44 Tourism, events and creative industries are growth sectors for WA and Indonesia, and it is JTSI’s view that the continued development of these industries is likely to provide complementary growth opportunities for both, rather than placing the markets in competition, as their respective markets differ and are likely to differ in the future.²⁵⁰ JTSI said the Indonesian tourism market is still developing, and presents opportunities for WA to provide training and education for Indonesian operators and other stakeholders. There is also opportunity for WA tourism businesses to set up in Indonesia.²⁵¹
- 4.45 Indonesia has committed to developing five ‘super priority’ tourism destinations that could provide opportunities for WA export and investment. These five destinations are Borobudur Temple (Central Java), Toba Lake (North Sumatra), Likupang (North Sulawesi), Mandalika (West Nusa Tenggara) and Labuan Bajo (East Nusa Tenggara).²⁵²
- 4.46 The AIBC suggested developing a triangular ecotourism strategy between WA, Bali and Surabaya, and cooperation with the Singhasari Special Economic Zone (SEZ) for Tourism and Digital Technology Development in Malang, East Java (see Box 5.10). The committee met with the proponent and CEO of the Singhasari SEZ, David Santoso, and agrees with the AIBC that he is ‘incredibly keen to attract Western Australian digital creatives, universities, and premium food and beverage entities into that zone.’²⁵³

Finding 50

Differentiation is crucial for individual sectors: states need to identify and work to their competitive advantage within the Team Australia approach.

Recommendation 6

That the state government build out sector-specific brand campaigns and strategies to promote some of the state’s competitive advantages and market opportunities. Examples of areas where this could be done include:

- The resources sector, in particular technology and services. There are opportunities for Western Australia to partner with Indonesians in the development of the renewable energy and hydrogen industries.
- The digital and technology sector, particularly in start-ups and scale-ups.
- Technology and research collaboration and knowledge transfer.
- Tourism, events and creative industries collaboration.

249 Submission 10, Austrade, p. 3.

250 Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 16.

251 *ibid.*

252 *ibid.*

253 Ms Larissa Taylor, WA Chair, Australia Indonesia Business Council, *Transcript of Evidence*, 23 November 2022, p. 7.

Social media to promote Brand WA

4.47 It became very clear to the committee during this inquiry that social media provides a ready-made platform that is currently underutilised by the state government. Social media could be used more effectively to prosecute a marketing strategy which promotes Brand WA into Indonesia.

There are 275 million people [in Indonesia] and they love their social media, love their media and their content.

- Indonesia Institute

4.48 Evidence presented to the committee emphasised how popular social media is with the young tech-savvy Indonesian population.²⁵⁴

4.49 The state government, through JTSI, could:

Develop social media pages for Invest and Trade WA to build awareness of WA trade opportunities, WA's unique competitive advantage and Invest and Trade WA as an effective government service that gets results, is well connected and can provide a gateway into the country.²⁵⁵

Finding 51

Social media platforms are an underutilised tool in promoting Brand WA to Indonesia.

Recommendation 7

That the state government, through Invest and Trade WA, prosecute a comprehensive social media strategy as part of the wider Indonesian engagement strategy.

Cultivating an in-market presence

4.50 As noted in Chapter 2, WA has an Indonesian trade and investment office located in Jakarta (the Jakarta office) which is a key player in WA's Indonesia engagement strategy. It manages the state's sister-state relationship with East Java, and supports WA businesses seeking trade and investment opportunities in Indonesia, and Indonesian businesses looking to trade with and invest in WA. The Jakarta office also supports ministerial delegations into Indonesia and coordinates both government and business delegations. Furthermore, it has a role in collaborating with Commonwealth diplomatic missions and liaising with DFAT and Austrade.

4.51 There has been a WA trade and investment office in Indonesia since 1992, first located in Surabaya, East Java, and then later moved to Jakarta in 2003. In 2020, when the state government announced the move to a regional hub and spoke model for the overseas office network, the Jakarta office remained in situ to operate as part of the ASEAN regional hub. Previously reporting to an Indonesian trade and investment commissioner, the office now reports to the ASEAN trade and investment commissioner, which has been based in Singapore.²⁵⁶

254 Mr Robbie Gaspar, President, Indonesia Institute, *Transcript of Evidence*, 30 November 2022, p. 9.

255 Submission 14, Indonesia Institute, p. 9.

256 For more information about the history and structure of Western Australia's overseas trade offices, see the committee's previous report: Economics and Industry Standing Committee, *Intergenerational*

- 4.52 The committee understands that the ASEAN trade commissioner is to be re-located to be based in the Jakarta office. Currently, the position is being filled in an acting capacity following the departure of Ms Krista Dunstan in May 2023.
- 4.53 Several inquiry stakeholders recommended improvements to WA's state representation in Jakarta to raise the profile and importance of the bilateral relationship. The committee received significant evidence suggesting that the state government should establish a dedicated full-time Indonesian trade and investment commissioner based in Jakarta to represent WA's particular interests, and more broadly leverage the in-market relationship with DFAT and Austrade.²⁵⁷
- 4.54 DFAT noted that a WA trade and investment commissioner based in Jakarta would improve the state's access into the market, 'build valuable networks, broker introductions and facilitate a Team Australia approach to senior ministerial and officials' visits.'²⁵⁸
- 4.55 The Indonesia Institute said this representative should have 'business and political connections' in both jurisdictions, and be able to 'effectively drive trade outcomes and relationships for the state.'²⁵⁹ It said an in-market commissioner was 'critical as our state's credible retail face' and was a role that could 'open more doors than a local team could.' Further, this role could:
- be complementary to the current hub and spoke model as it can be justified that Indonesia is a critical market, being a major importer of WA agricultural products, an important international education market and shows potential for further significant growth. This additional investment into Indonesia would be warranted, given the IA-CEPA agreement, market size and its growing influence in the ASEAN region.²⁶⁰
- 4.56 The committee agrees that having a visible in-market presence is crucial in building brand awareness and developing key relationships. The recent move by the Australian government to locate a consul general and a trade commissioner in Surabaya was commended by stakeholders, with the AIBC saying there are benefits from this which are already being noticed, and the 'relatively new staff' in the WA trade and investment office in Jakarta 'are already partnering quite closely with that team.'²⁶¹
- 4.57 When visiting the Jakarta trade and investment office in May 2023, the committee was impressed by scale of work undertaken by the team there under the directorship of Ms Diyas

challenges and opportunities for the Western Australian economy to 2041, Parliament of Western Australia, 2022, Chapter 7 and Appendix One.

257 Mr Robbie Gaspar, President, Indonesia Institute, *Transcript of Evidence*, 30 November 2022, pp. 4–5; Submission 14, Indonesia Institute, pp. 4–5; Submission 21, Asia Business Council of Western Australia, pp. 2, 4; Submission 22, Chamber of Minerals and Energy of Western Australia, pp. 3, 4; Economics and Industry Standing Committee, *Inquiry into the Western Australia - Indonesia relationship survey*, 2023.

258 Submission 6, Department of Foreign Affairs and Trade, p. 8.

259 Submission 14, Indonesia Institute, p. 4.

260 *ibid.*, pp. 4–5.

261 Ms Larissa Taylor, WA Chair, Australia Indonesia Business Council, *Transcript of Evidence*, 23 November 2022, p. 7.

Herrianti. The commitment and hard work of the former ASEAN trade and investment commissioner, Ms Krista Dunstan, also merits acknowledgement.

4.58 The committee notes the value of having a team located in-market which is managed by a director. Currently trade and investment commissioners are fixed term roles, and a permanent team is important in building and maintaining long-term relationships on the ground in key sectors in what is a dynamic and growing market.

4.59 Noted above is the role that the Jakarta office plays in facilitating ministerial, government and business delegations into the market. These visits are important—when WA representatives visit Indonesia this raises the state’s visibility.²⁶² The committee was told that sector-specific delegations are especially important and useful.

4.60 DFAT advised that visibility in the market remains an issue for WA:

I know an issue for the WA government is representation, and being seen and heard in Jakarta itself in terms of state offices or representational offices.²⁶³

4.61 The committee has come to the conclusion that the Jakarta office is under-resourced. This office plays an important role as WA’s ‘retail face’ in the Indonesian market—our closest neighbour and a country which is widely predicted to be the fifth largest by 2030 or soon thereafter, and the fourth largest by 2050.

4.62 The AIBC expressed concern that while WA has ‘an advantage in natural assets’, when it comes to competing with the eastern states for visibility in the market WA is at ‘risk of being out-competed in terms of resources on the ground and powerhouse brainpower.’ There is now an opportunity to take the relationship ‘to the next level, and to a deep level of economic trade and investment engagement.’²⁶⁴

4.63 Asialink Business said there is not ‘a one-size-fits-all approach’ when it comes to best practice for state trade and investment models in-market. States should formulate their approach ‘based on their priorities and their objectives.’²⁶⁵ However, there are some common elements for success, the most important being ‘sustained engagement over a period of time’ rather than holding big events as one-off engagement activities here and there.²⁶⁶

4.64 In terms of being embedded in an Austrade office or having a standalone office in-market, which is a common question in terms of state trade and investment models, Asialink Business said the model should be based on the ‘commitment profile’ of that state. That is, if a state government can afford to set up a standalone office, it should. This model gives some autonomy over location, which may improve accessibility, as ‘embassies are not the most

262 Mr Jonathan Gilbert, Director, Indonesia Economic and Trade Section, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 23 November 2022, p. 6.

263 *ibid.*

264 Ms Larissa Taylor, WA Chair, Australia Indonesia Business Council, *Transcript of Evidence*, 23 November 2022, p. 5.

265 Mr Leigh Howard, Chief Executive Officer, Asialink Business, *Transcript of Evidence*, 6 December 2022, p. 5.

266 *ibid.*

accessible places anymore.’ It can also provide greater ability for the state to create an agenda more tailored to the state’s interests.²⁶⁷

4.65 There would also be merit in establishing a WA presence outside Jakarta. The Indonesia Institute said ‘there is inherent risk’ in having long-term staff based only in Jakarta. It said the state government could look at establishing an in-market presence outside Jakarta in the ‘key markets’ of Surabaya, Medan, and Balikpapan. It further notes that as the new Indonesian capital, Nusantara, is ‘to be built in East Kalimantan, there is an opportunity for Western Australia to be strategic in how and where it may invest resources in the future.’²⁶⁸

4.66 The committee sees value in having an additional WA trade and investment office in Surabaya. The Indonesia Institute notes that East Java is home to around 45 million people, while Central Java has a population of another 40 million people, which demonstrates the sheer size of the Indonesian market. Unless that branding and in-market connection is there, they may not even look internationally for partnerships in trade and investment unless there is something that they are missing.²⁶⁹

4.67 Given WA’s sister-state relationship with East Java, and office in Surabaya makes sense. The sister-state relationship with East Java is discussed further in the following section.

Finding 52

The Western Australian trade and investment office in Jakarta plays a vital role in the state’s relationship with Indonesia, and the sister-state relationship with East Java.

Finding 53

Having a visible and properly resourced in-market presence is crucial to building brand awareness and developing key relationships in Indonesia. The recent decision to position the ASEAN trade and investment commissioner in the Jakarta office is a positive development.

Recommendation 8

That the state government establish a dedicated Indonesian trade and investment commissioner based in Jakarta.

Recommendation 9

That the state government establish an additional trade and investment office in Surabaya, East Java.

²⁶⁷ *ibid.*

²⁶⁸ Submission 14, Indonesia Institute, p. 7.

²⁶⁹ Mr Robbie Gaspar, President, Indonesia Institute, *Transcript of Evidence*, 30 November 2022, p. 10.

Western Australia's sister-state relationship with East Java

- 4.68 Invest and Trade WA manages WA's sister-state relationship with East Java. This arrangement has been an important conduit in facilitating the Indonesia-WA relationship, with 'opportunities to grow cooperation and understanding between the two governments and broader communities.'²⁷⁰
- 4.69 Under this arrangement over the past 30 years 'exchanges have occurred in areas including education and training, government administration, health and welfare, sport and culture, and agriculture.' It has also facilitated 'MoUs with national government agencies in Indonesia in energy and mineral resources, and sports industries.'²⁷¹ As part of the sister-state relationship, the Jakarta office (see above) engages and works closely with a range of agencies within the East Java Provincial Government.²⁷²
- 4.70 A relatively small jurisdiction such as WA has limited capacity to service Indonesian demand across all sectors. The sister-state relationship with East Java, centring on Surabaya, therefore provides a good foundation for building the relationship with Indonesia. If this relationship is well developed, the state might then look to other areas.²⁷³
- 4.71 East Java has many different industries WA could focus on to develop complementary partnerships. For example, DFAT said there is significant demand for medical practitioners, nurses and medical professionals in Indonesia. Health care is a pressing issue for Indonesia, and WA has 'a distinct advantage' with its sister-state relationship. DFAT suggested that if WA has the capacity to service demand in this sector then this is a potential opportunity for the state worthy of focus.²⁷⁴
- 4.72 The sister-state relationship also has potential to expand in the area of aviation and maritime connectivity, which would develop supply chain resilience. For example, the state government is currently progressing the Westport Program, its long-term program to investigate, plan and build a future port in Kwinana with integrated road and rail transport networks.²⁷⁵ Over the long term, a new port could support increased container trade with East Java via its port at Surabaya and, according to Fremantle Port, shows the government's intention to 'develop a long-term engagement strategy with Indonesia.'²⁷⁶

270 Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 26.

271 *ibid.*

272 *ibid.*

273 Mr Robbie Gaspar, President, Indonesia Institute, *Transcript of Evidence*, 30 November 2022, p. 10.

274 Mr Jonathan Gilbert, Director, Indonesia Economic and Trade Section, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 23 November 2022, p. 7.

275 Government of Western Australia, Westport, n.d., accessed 3 August 2023, <<https://westport.wa.gov.au>>.

276 Submission 24, Fremantle Ports, p. 5.

- 4.73 Recognising the importance of accurate trade-related information with our trade partners, Fremantle Ports is already in the process of sharing its data hub software system with the Indonesian ports manager, Pelindo,²⁷⁷ as well as providing skills training.²⁷⁸
- 4.74 Port-to-port connection is integral to the trade relationship between WA and East Java (via the Surabaya port). There would be potential exports between Fremantle and Surabaya, to then be exported out to the wider Indo-Pacific region, with the partnership developed in line with the concept of the economic powerhouse model. The AIBC advised the committee:
- In working with the East Javanese—40 million of them—strategy to become an advanced manufacturing hub into eastern Indonesia and the ASEAN markets, I think there is immense opportunity around green trade corridors, digitising port supply chains and digitising infrastructure. We do not have any direct flights or direct shipping into Surabaya. I have been working to support Fremantle Ports this year to profile their considerable digital supply chain technology hub skills, and Pelindo, the Indonesian national port authority, is very interested. Yes, we could start with East Java and make a commitment to really put some trade and investment bones on that MOU, but I would not limit our ambition.²⁷⁹
- 4.75 Tourism is another area where there is possibility for further collaboration between WA and East Java. As outlined earlier in this chapter, tourism is a potential growth sector for both Indonesia and WA. The AIBC's suggestion for a triangular ecotourism strategy between WA, Bali and Surabaya is one that the committee would like to see investigated by the state government. This could be a part of a broader tourism strategy focused on East Java.
- 4.76 The Indonesian Consul-General in Perth recommended the development of a WA–Indonesia 'working group on the implementation of Sister Province/State MoU of East Java and WA to provide both parties analysis on the market opportunities in both provinces/states.'²⁸⁰ There is merit in this proposal.
- 4.77 There have been two working groups previously in relation to our relationship with East Java, advised by JTSI as follows:
- The Western Australia-East Java High-Level Joint Working Group²⁸¹ established in May 2018 provided annual activities under the sister-state agreement strategic direction. The group last met on 20 April 2022, to discuss the renewal of the sister-state MoU (which has since been enacted) and WA's trade and investment engagement with Indonesia.²⁸²

277 Pelindo is the Indonesian state-owned company that manages ports across Indonesia. It was established in October 2021 following the integration of four state-owned port enterprises into one body, a strategic initiative of Indonesia to improve the country's maritime connectivity and build a stronger logistics network. See Juwita Trisna Rahayu, 'Boosting Indonesia's competitiveness globally through port integration', *Antara* (web-based), 20 September 2021, accessed 3 August 2023, <<https://en.antaranews.com>>.

278 Ms Larissa Taylor, WA Chair, Australia Indonesia Business Council, *Transcript of Evidence*, 23 November 2022, pp. 6–7.

279 *ibid.*

280 Submission 4, Consulate General of the Republic of Indonesia (Perth), p. 10.

281 The group included representatives from the East Java Government, the Indonesian Consulate-General in Perth, the Australian Government Consulate-General in East Java, and Invest and Trade WA.

282 Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 26.

- The Western Australia-East Java Local Stakeholder Working Group, which according to JTSI last met in June 2019. It was convened for Perth-based stakeholders who were involved in implementing activities related to the sister-state agreement.²⁸³

4.78 Finally, in addition to developing the relationship with East Java, the Australia-Indonesia Institute suggested that forging relationships with other parts of Indonesia, for example sister-city relationships between various WA and Indonesian cities/towns, could work ‘to foster mutual understanding and respect, promote different regions, and encourage mutual cooperation in variety of areas, including culture, education, and trade.’²⁸⁴

Finding 54

A relatively small jurisdiction such as Western Australia has limited capacity to service Indonesian demand in the various sectors. Therefore, the sister-state relationship with East Java, particularly centring on Surabaya, is a good place to start when building the relationship with Indonesia.

Recommendation 10

That the state government develop a Western Australia-East Java working group to:

- assess the past effectiveness of the sister-state relationship
- identify direct and practical objectives to guide the sister-state relationship over the next five years.

Recommendation 11

That the state government consider the development of a targeted tourism strategy focused on East Java which would include improving aviation connectivity between Western Australia and East Java.

283 *ibid.*

284 Submission 2, Australia-Indonesia Institute, p. 5.

Chapter 5

An economic powerhouse partnership

I am a believer that one of the mistakes we make in the current ... economic environment is that two countries or two states try to sell past each other. What I mean by that is that often the trade and investment agencies ... are responsible for outward trade and inbound investment. If you think about it on the Indonesian side, if they follow the same model, they would be doing the same thing. They would be thinking, “How do we get Indonesian goods sold to WA consumers and how do we get more WA investment into Indonesia?” I think that is increasingly viewed as a transactional approach, which does not represent a partnership approach. It is leaving relationships undeveloped.

Leigh Howard, Chief Executive Officer, Asialink Business

- 5.1 A mutually beneficial partnership between Australia and Indonesia is the intention behind the economic powerhouse model of the IA-CEPA. As outlined in Chapter 2, this model consists of both countries joining forces in a cross-border partnership to access global value chains. Complementarities within industries are identified and strengthened to access third-country markets. In line with this model, the Indonesia Institute suggested we should be ‘looking at value adding to each other’s products and services for re-export to other countries.’²⁸⁵
- 5.2 This chapter focuses on four areas that provide WA and Indonesia with an opportunity to implement the economic powerhouse model: education, skills and training; critical minerals (in particular, EV supply chains and lithium); mining equipment, technology and services (METS); and digital transformation.
- 5.3 First, however, it explains the economic powerhouse model concept and what needs to occur for WA and Indonesia to achieve this.

The economic powerhouse model for collaboration with Indonesia

- 5.4 As Asialink Business Chief Executive Officer Leigh Howard describes in the epigraph to this chapter, WA and Indonesia have traditionally adopted a transactional approach when engaging in trade and investment, attempting to sell our goods to each other’s markets and seeking inbound investment from investors from the other jurisdiction. This approach is not in the spirit of the IA-CEPA, nor is it going to result in the best outcomes for both partners.

285 Submission 14, Indonesia Institute, p. 8.

5.5 Instead, we need establish a deeper relationship that is mutually beneficial. KADIN says the key drivers to optimise economic cooperation between Australia and Indonesia are:

- focusing on complementarities
- cooperation beyond trade, such as people-to-people connections and capability building.²⁸⁶

We need to be participating in critical conversations that are important to Indonesia for their economic development and providing critical services to their people i.e. mining, infrastructure & energy. ... WA could be part of Indonesia's growth story as a key regional partner.

- Indonesia Institute

5.6 The committee heard in various forums that difficulties in getting to this point are largely psychological—we must change the way we see each other.

5.7 This will take time, and requires immediate and ongoing focus. For WA to realise the full benefit of the IA-CEPA, there needs to be greater investment in the Indonesian market. The advantages, based on projected growth, free trade opportunities, the growing middle class, demand for premium products, tourism and Indonesia's proximity to WA, are many. There is a risk that, if the relationship is not made a priority, then not only will WA fail to capitalise on future benefits but, as the market grows, we may also lose market share in

important export sectors such as wheat and livestock.²⁸⁷

5.8 Indonesia needs inbound investment to support its economic progression. As a consequence of strong economic growth in recent years, Indonesia has transitioned from needing development assistance to inviting commercial investment. Australian investment in Indonesia, however, has been limited in the past because international investment decisions are often seen as the realm of the private sector, and the ways in which government can play a role in encouraging outbound investment are not readily appreciated. Sometimes there are questions around whether outbound investment means that jobs will move overseas.²⁸⁸

5.9 Asialink Business told the committee that this outdated way of looking at the world is starting to change, with increasing support for Australian investment to extend beyond our national borders:

We had that delegation of superannuation and financial services firms go to Indonesia. That was very deliberate to say that we need to start signalling that we want to partner with the Indonesians—the Indonesian economy—and what

286 M. Arsjad Rasjid P.M., Chairman, Indonesian Chamber of Commerce and Industry, 'Australia-Indonesia: Maximising the potential in two-way trade and investments', *Australia Indonesia Business Council Conference*, Darwin, 2022.

287 Submission 14, Indonesia Institute, p. 8.

288 Mr Leigh Howard, Chief Executive Officer, Asialink Business, *Transcript of Evidence*, 6 December 2022, p. 6.

landmark investments would represent and signal, what that would open up and what type of influence that would come with.²⁸⁹

5.10 Indonesia's *Making Indonesia 4.0* flagship initiative targets five broad sectors—food and beverage, textiles and apparel, automotive, electronics and chemical industries—and these intersect with health, education and energy.²⁹⁰ At the sectoral level, specific initiatives include developing human capital, building national digital infrastructure, and advancing research and development (R&D).²⁹¹

5.11 Achieving these goals will require Indonesian industries to pay particular attention to both the higher education sector and VET sector (or technical and vocational education and training (TVET) sector, as it is known in Indonesia). Necessary reforms include:

- improving certification and accreditation systems
- boosting STEM graduates
- fostering a culture of innovation and technology
- establishing technology parks
- strengthening international institutional research links.²⁹²

... we must also take the chance to focus on areas of cooperation that have been set as priorities. We would welcome more engagement in global health infrastructure, energy transition, and digital transformation sectors.

- Consul General of the Republic of Indonesia

5.12 These goals offer opportunities for collaboration and long-term strategic partnership building between Australia and Indonesia, with WA well-placed to lead the way in a number of these areas.

5.13 Similarly, Indonesia has made it clear that it seeks partnerships to support its transition to renewable energy. At the Business 20 (B20) Summit in 2022 (see Box 5.8), Indonesia demonstrated to the world that it has ambitious economic goals to manage the energy transition on its 'own terms' in relation to the United Nations sustainable development goals. Indonesia has committed to lifting its nationally determined contributions²⁹³ if it can attract sufficient inbound investment to support this.²⁹⁴

²⁸⁹ *ibid.*

²⁹⁰ Ministry of Industry (Kementerian Perindustrian), *Indonesia's Fourth Industrial Revolution*, Jakarta, 2018, p. 10, accessed 3 August 2023, <<https://www.kemenperin.go.id>>.

²⁹¹ Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, p. 94.

²⁹² *ibid.*

²⁹³ Nationally determined contributions (NDCs) are at the heart of the *Paris Agreement* and the achievement of its long-term goals. NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change. See United Nations Climate Change, *Nationally Determined Contributions*, n.d, accessed 3 August 2023, <<https://unfccc.int>>.

²⁹⁴ Ms Larissa Taylor, WA Chair, Australia Indonesia Business Council, *Transcript of Evidence*, 23 November 2022, p. 3.

Box 5.8: B20 Indonesia 2022

The Business 20 (B20) Summit is the official dialogue forum of the Group of 20 (G20), used by the G20 to engage with the global business community. The G20 is made up of 20 of the world's major and systemically important economies, including Australia and Indonesia, and is a mechanism for advancing international economic cooperation. The B20 brings together heads of state with business leaders to network and discuss ways of encouraging economic growth and development.

Indonesia held the G20 presidency in 2022 and therefore hosted the B20 Summit. Held in Bali on 12–14 November, B20 Summit Indonesia 2022 enabled Indonesia to emphasise its economic ambitions.

Source: Global Victoria, *B20 Summit Bali Indonesia*, 19 May 2023, accessed 20 July 2023, <<https://global.vic.gov.au>>; Indonesian Chamber of Commerce and Industry, *B20 Indonesia 2022*, n.d., accessed 20 July 2023, <<https://b20indonesia2022.org>>; Department of Foreign Affairs and Trade, *The G20*, n.d., accessed 20 July 2023, <<https://www.dfat.gov.au>>.

5.14 The AIBC WA suggested that Brand WA (see Chapter 4) in Indonesia could be structured around the message that WA can be a trusted partner in Indonesia's energy transition. The AIBC is of the view that decarbonisation and the energy transition are the state's biggest potential strengths in our ongoing relationship with Indonesia.²⁹⁵

5.15 If WA is to make a concerted effort to seriously invest in the bilateral relationship—and this was the goal championed by a range of inquiry stakeholders—then opportunities exist in:

- education, skills and training
- sustainable tourism, events and creative industries
- cultural exchange and sports diplomacy opportunities
- resources and down-stream processing (for example, critical minerals, particularly EV supply chains and lithium)
- new energy and hydrogen
- health services (for example, genomics, biotechnology, paediatrics, aged-care and community health)
- environmental services
- engineering and infrastructure
- increased aviation and maritime connectivity
- digital transformation
- food security.²⁹⁶

5.16 In the short term it makes sense to focus on adjacencies where WA has immediate potential and competitive advantage. There are four areas of opportunity which the committee has identified for a more detailed review here:

- education, skills and training
- digital transformation and e-commerce

295 *ibid.*

296 *ibid.*; Submission 6, Department of Foreign Affairs and Trade, p. 8; Submission 15, Asialink Business, pp. 3–4.

- critical minerals—in particular, EV supply chains and lithium
- mining equipment, technology and services (METS).

5.17 These opportunities are explained in the following sections.

Finding 55

A mutually beneficial partnership between Australia and Indonesia is the intention behind the economic powerhouse model of the Indonesia-Australia Comprehensive Economic Partnership Agreement.

Finding 56

To develop a mutually beneficial relationship, Indonesia and Western Australia need to move beyond the traditionally transactional approach to trade and investment and look for ways to add value to each other's products and services for export to a third market. This will take time, and requires an immediate and ongoing focus.

Finding 57

For Western Australia to capitalise on the full benefit of the Indonesia-Australia Comprehensive Economic Partnership Agreement there needs to be greater investment in the Indonesian market. There is a risk that, if the relationship is not made a priority, Western Australia will not only fail to capitalise on future benefits but, as the market grows, lose market share in current important export sectors such as wheat and livestock.

Finding 58

Brand WA in Indonesia could be structured around the message that Western Australia can be a trusted partner in the energy transition for a sustainable future.

Education, training and upskilling

5.18 The education and training sector is possibly the area of greatest potential for WA under the IA-CEPA, and with continued effort and collaboration significant benefits for both WA and Indonesia are possible.

5.19 Workplace skills development is a top priority for the Indonesian government as part of its human capital development agenda. It wants to add 57 million skilled workers to its economy by 2030, an ambitious plan that is necessary for Indonesia to realise the economic advantage that lies in its 'young, growing and urbanising population.'²⁹⁷ As at 2017, less than 12 per cent of Indonesians aged 25 to 64 years old had attained a tertiary education. Yet the World Bank

The demand generated by the large population and skills based development agenda of Indonesia provides an opportunity to increase the number of Indonesian international students studying in Western Australia.

- Department of Jobs, Tourism, Science and Innovation

297 Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, p. 84.

estimates that Indonesia requires almost double this amount (or 21 per cent of its population) to be tertiary educated in order to meet its growing labour market demands.²⁹⁸

The Indonesians are telling us loud and clear that that they really want to partner in micro-skills, credentials and vocational training.

- Australia Indonesia Business Council

5.20 Improving the TVET sector is the government's main focus. It has identified the key challenges facing its economy and developed a five-year education and training plan, with many of the resulting targets responding to industry needs. This includes addressing the low number of science and engineering graduates, improving study programs and curriculum so they meet industry needs, and addressing the quality of teaching and facilities.²⁹⁹ Other initiatives underway include areas such as online education delivery.³⁰⁰

5.21 The IA-CEPA and changes in Indonesian government regulation open up new opportunities for education and training providers onshore in Indonesia. Benefits include reciprocal skills exchange opportunities for tertiary qualified individuals (skills programs under the IA-CEPA are discussed further below).

5.22 The IA-CEPA also ensures a more predictable Indonesian regulatory environment, with some of the benefits including:

- The ability for Australian universities to operate fully-owned institutions in Indonesia.
- Allowing Australian ownership of 67 per cent of investments in the TVET sector.
- Certainty that requirements for Australian trainers are accepted in Indonesia.
- Guaranteeing that Australian providers can offer all Australian Qualifications Framework qualifications. In addition, a range of qualifications within the Indonesian Qualifications system can be provided, including in technical engineering, business administration, languages, tourism, management, information technology, art and agriculture.³⁰¹

5.23 There are three ways in which Australian education and training providers can access the Indonesian market, through:

- strategic partnerships
- joint ventures/ownership
- consortia.³⁰²

298 *ibid.*, p. 86; World Bank, *Indonesia's higher education system: How responsive is it to the labor market?* Policy Brief No. 89222, World Bank, Jakarta, 2014, p. 2.

299 Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, pp. 87, 89.

300 *ibid.*, p. 89.

301 Submission 6, Department of Foreign Affairs and Trade, p. 4.

302 Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, pp. 99–100.

- 5.24 Each of these access strategies are supported under the IA-CEPA, and each have attendant risks and potential benefits. DFAT's official advice is that the consortia model offers the greatest benefits for both Indonesia and Australia.³⁰³
- 5.25 The Indonesian Ambassador in Australia, speaking to the committee about the ability of Australian universities to operate fully-owned institutions, benefiting from complete liberalisation in Indonesia, suggested it might be wise to start in partnership with a local operator until the brand and presence is consolidated. Only then should the university look at setting up a campus independently.³⁰⁴ This has been the strategy employed by Curtin University in establishing Curtin Bali in partnership with a local Balinese partner.³⁰⁵ Curtin stated that:
- We believe that the IA-CEPA agreement has delivered both symbolic focus and practical protections for our relationship with Indonesia. Whilst these protections aren't immediately necessary because of the local partnership arrangements we will begin with, they do create provisions for future expansion of our engagement in Indonesia and the necessary legal status required.³⁰⁶
- 5.26 It was noted that sometimes the VET and TAFE models and costings are not wholly aligned with the demand profile in Indonesia, requiring flexibility and patience on behalf of providers to see a return on investment (ROI). This is not only because Indonesian market dynamics are different but because the Indonesian government does not mandate standards in the same way as the Australian government, which incentivises industry to value the training provided.³⁰⁷ Nevertheless, if this limitation can be overcome there is great potential in this sector as Indonesia looks to upskill its workers and improve standards.
- 5.27 Overall, inquiry stakeholders agreed that WA education and training providers should take advantage of the opportunities under the IA-CEPA in relation to Indonesia. This might include partnering with industry to offer industry-specific training in Indonesia, a model that has already proven successful for companies from other Australian states. Curtin University pointed the committee towards an example in Queensland where mining company Thiess has joined with Queensland higher education and VET providers to deliver training initiatives in Indonesia. Over 1,000 people have graduated from the training, ensuring the company has a skilled workforce for its Indonesian-based projects.³⁰⁸
- 5.28 Stakeholders said trade and investment professionals have previously overlooked the contribution that WA's higher education sector can make to the state's trade relationships through Thiess-like models, instead focusing on the provision of onshore education in WA. Curtin University argued that higher education can add value to WA industries, if only there

303 *ibid.*, p. 99.

304 His Excellency Dr Siswo Pramono, Ambassador of Indonesia, Embassy of the Republic of Indonesia (Australia), *Briefing*, 2 February 2023.

305 Submission 19, Curtin University, p. 2.

306 *ibid.*, p. 4.

307 Mr Leigh Howard, Chief Executive Officer, Asialink Business, *Transcript of Evidence*, 6 December 2022, p. 12.

308 Submission 19, Curtin University, p. 7.

is a greater appreciation of WA universities' strengths, functions and existing relationships.³⁰⁹

Finding 59

Education and training is possibly the area of greatest potential for Western Australia under the Indonesia-Australia Comprehensive Economic Partnership Agreement, and with continued effort and collaboration significant benefits for both Western Australia and Indonesia are possible.

Finding 60

Workplace skills development is a priority for Indonesia and the Indonesia-Australia Comprehensive Economic Partnership Agreement and changes in Indonesian government regulation open up a range of opportunities for Australian education and training providers onshore in Indonesia, particularly within the technical and vocational education and training sector.

Finding 61

Industry-education partnerships have the potential to deliver significant value to Western Australia's bilateral relationship with Indonesia.

Western Australia—East Java education and training opportunities under the sister-state agreement

5.29 Chapter 4 includes a discussion about how the sister-state relationship with East Java, centring on Surabaya, is a good place to start when building our relationship with Indonesia. In this section two sister-state education partnerships are discussed. These could enable the realisation of both Indonesia and WA's education ambitions.

Western Australia—East Java University Consortium

5.30 The Western Australia-East Java University Consortium (WAEJUC) was launched in 2017 under the WA-East Java Sister-State MoU to establish a mode of communication between WA and East Java universities. The committee has formed the view that activities carried out as a part of this consortium arrangement could be reinvigorated post-COVID-19 to generate further positive outcomes for both East Java and WA.

5.31 The WAEJUC provides a framework to undertake a range of collaborative initiatives in two main streams: student mobility and research. There is a vocational education and training component to the arrangement, with a demand-analysis project commissioned by Austrade and the state government to support vocational training and employment outcomes in East Java. The *Opportunities for WA VET providers in East Java* report made recommendations to the WA VET sector to facilitate providers accessing market opportunities in East Java.³¹⁰ The committee understands that providers are now seeking to act on the identified opportunities.

309 *ibid.*

310 Western Australia—East Java University Consortium, *Opportunities for Western Australian VET providers in East Java*, Department of Jobs, Tourism, Science and Innovation, Perth, 2020.

Box 5.9: Western Australia–East Java University Consortium

In 2016, a Western Australian delegation of university vice chancellors travelled to East Java in Indonesia and identified the opportunity for collaboration in education, research skills and training. At the time, WA's five universities (The University of Western Australia, Curtin University, Edith Cowan University, The University of Notre Dame Australia and Murdoch University) were each exporting education services to South East Asia in their own capacity.

In 2017, the universities joined together to create the Western Australia-East Java University Consortium (WAEJUC), extending the links between WA and East Java under the sister-state agreement. WAEJUC leverages off the combined strengths and resources of the WA universities to increase high-quality research, student mobility, education and training across East Java and WA.

It is the first consortium model of its kind in the international education export market with the capacity to harness researchers, academics and professionals from across WA to collaborate with the East Java universities, TVET providers, and the East Java and WA governments.

Through working as a consortium, the universities have led initiatives designed to understand the educational needs of the East Java economy and developed opportunities for WA providers and students.

Source: Department of Jobs, Tourism, Science and Innovation, *Western Australia's Asian Engagement Strategy 2019–2030: Our future with Asia*, Government of Western Australia, Perth, 2019, p. 21.

5.32 The committee met with the East Java component of WAEJUC, led by Dr Evi Eliyanah, Associate Professor and Director, Office of International Affairs at the Universitas Negeri Malang. This meeting highlighted several aspects of the arrangement which could be better used to increase mutually beneficial collaboration, particularly in relation to increasing both student and teacher mobility. Mobility is presently the key focus from the East Java side of the consortium; however, traction within program initiatives remains low. Further conversations are sought with the state government and universities on the following key issues:

- **Funding:** the arrangement envisages joint funding between the WA and East Java universities. However, the committee was told that funding talks broke down during the pandemic and are yet to be revived. The key message was that funding is always an issue for both jurisdictions. Students rely heavily on grant funding and the increasing cost of travel is not helping. It was suggested that an arrangement similar to the New Colombo Plan could help, but in reverse, for Indonesians to come to WA (see also the Chapter 3 section on student mobility and exchange).
- **Visibility:** the committee heard concerns expressed about the visibility of East Java within WA, specifically the opportunity afforded by the WAEJUC arrangement. Participants noted that unfortunately West Australians only think about Bali when they think of Indonesia and in reverse there is a similar issue for WA—Indonesian students usually think about Sydney or Melbourne for student mobility opportunities.
- **Knowledge sharing and transfer:** There is a pressing need in East Java for more international research collaboration, expanding the academic network and broadening the knowledge base. Collaboration and knowledge transfer is sought in the sciences, engineering, tourism, education and community empowerment. Collaboration in tertiary teacher training is particularly needed, for both university and vocation schools/polytechnics.

- 5.33 Meeting participants emphasised that in the end, these possibilities hang on funding availability and the lingering effects of the pandemic (for example, travel costs and breakdowns in communication).
- 5.34 Murdoch University, a WA-side member of the WAEJUC, suggested that the state government revitalise the East Java sister-state relationship with the intention of fostering greater collaboration between WA and East Java education providers. Murdoch noted that the consortium 'has had some successes but would benefit from clearer input and support from the State Government.'³¹¹

Finding 62

Activities and programs undertaken as part of the Western Australia–East Java University Consortium require focused input and support from the state government.

Recommendation 12

That the state government continue to focus on opportunities with East Java in bilateral education and training delivery, with consideration given to funding and support for student and staff mobility programs under the WAEJUC arrangement.

The Western Australian Technical, Vocational Education and Training Consortium and the Singhasari Special Economic Zone

- 5.35 The Western Australian Technical, Vocational Education and Training Consortium (WA TVET) is a group of WA public and private institutions with the common goal of sharing capabilities and expertise in the identification and delivery of international training. Members of the consortium include Curtin University, Edith Cowan University, Murdoch University, the University of Notre Dame, University of Western Australia, North Metropolitan TAFE, South Metropolitan TAFE and Phoenix Academy.³¹²
- 5.36 The consortium is currently working with the Singhasari Special Economic Zone in Malang, East Java (see Box 5.10), specifically looking at delivering short TAFE courses and programs for specific industries.³¹³ This training has the potential to service a large Indonesian market and create greater awareness of the WA brand.
- 5.37 The committee visited the SEZ in May 2023 and met with its CEO David Santoso and was impressed by the potential opportunities for WA investment and the people-to-people links which can be created through this collaboration.

Finding 63

The Singhasari Special Economic Zone in Malang, East Java, has potential to play a key role in facilitating opportunities for Western Australia investment in East Java and in establishing people-to-people links through the collaboration occurring here with the WA TVET consortium and the WA Creative Technology Innovation Hub.

311 Submission 13, Murdoch University, p. 2.

312 Western Australian Technical, Vocational Education and Training Consortium, *More than just education and training*, n.d., accessed 28 July 2023, <<https://www.watvet.com.au>>; Phoenix Academy, *WA TVET Consortium*, n.d., accessed 28 July 2023, <<https://www.phoenix.edu.au>>.

313 Submission 8, StudyPerth, p. 5.

Box 5.10: Singhasari Special Economic Zone for Tourism and Digital Technology Development

The Singhasari Special Economic Zone (SEZ) for Tourism and Digital Technology Development is in Malang, East Java.

SEZs in Indonesia designate areas within certain boundaries with particular economic advantages (such as access to global markets through sea and air), in order to accelerate economic development. These zones complement IA-CEPA and should be considered as another locational factor by businesses interested in engaging with Indonesia. The areas are designed to maximise industrial activities, trade, and other high-value economic activities through certain facilities and investor incentives.

Some examples of benefits for businesses include:

- income tax holidays of up to 100 per cent for 10 to 25 years for investment more than Rp 1 trillion (\$90 million)
- customs exemptions on all goods entering the zone and most goods exiting it
- numerous labour-related incentives such as streamlined visa processes for workers and their families
- building rights and land ownership rights.

The Singhasari SEZ is Indonesia's first digital SEZ and focuses on tourism and digital technology. It is aiming to become a key centre of excellence for training in these areas, building capacity in the region of East Java. Work is currently being undertaken in the areas of education, animation, film, computing, and commerce.

The Singhasari SEZ and the WA Creative Technology Innovation Hub signed a letter of intent on 28 February 2023, which sets a path for collaboration in creative technology and innovation industry.

Sources: Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, p. 66; Submission 23, Department of Jobs, Tourism, Science and Innovation, pp. 20, 22.

Collaboration in education aligned with Western Australia's energy and resources expertise

- 5.38 Inquiry stakeholders told the committee that WA could better leverage its mining and resources sectors to attract Indonesian students to its educational offerings. StudyPerth noted that Victoria has successfully positioned itself as Australia's market leader for Indonesian students wanting to study political science, and that WA could do the same in science and engineering.³¹⁴
- 5.39 Work is underway to capitalise on WA's strengths. In June 2021 an MoU was established between the Indonesian Ministry of Energy and Mineral Resources (Kementerian Energi dan Sumber Daya Mineral, ESDM) and the state government to promote VET collaboration, particularly in electrical and renewable energy upskilling. Professional skills training, such as project management and leadership, is also being sought by the Indonesian government under this arrangement.³¹⁵
- 5.40 The MoU provides a government-to-government umbrella for joint training initiatives, with potential commercial outcomes for WA VET providers, especially those in the mining and

³¹⁴ *ibid.*

³¹⁵ Submission 7, Department of Mines, Industry Regulation and Safety, p. 3.

energy sectors. It was the first agreement between the Indonesian government and an Australian state under the IA-CEPA.³¹⁶

5.41 The committee heard about other activities underway under the MoU, such as work JTSI is undertaking with WA TVET on a training proposal on oil and gas capabilities. JTSI also advised that ESDM and the Australian Institute of Management WA (AIM WA) are discussing potential opportunities. ESDM staff will also be able to build capacity in the mineral resources and energy sectors under the MoU. Over the next five years Indonesian students will have the opportunity to undertake post-graduate studies at the University of Western Australia under ESDM's Net Zero Emission international scholarship program. Similarly, ECU has been approved as a provider for the ESDM Net Zero Emission scholarships program.

5.42 The National Electrical Contractors Association (NECA Australia) is exploring trade training partnership opportunities with ESDM, including a 'train the trainer' program. The City of Cockburn has come to an agreement with NECA Australia, under which NECA Australia will train Indonesian electricians via a dual-mode method of delivery, with an online training component and in-country training. The City talked about how there are only 14 polytechnics in Indonesia for electrical trades, but 80,000 to 100,000 electrical students in Indonesia at any given point in time. The benefit for Indonesian businesses is that they are able to achieve accreditation and compliance in line with Australian standards. The benefit for the City of Cockburn and WA more broadly is described as follows:

We have a job skills shortage at the moment, which is only going to grow in Henderson in terms of shipbuilding—four and a half thousand to 2040, but the multiplier effect means it is 13 and a half thousand people we need to service that industry over the next 20 years. How do we do that? Upskilling and training Indonesian communities who have a willingness and an openness—and is not that far away—gives us the best opportunity to fill that void. We currently have a deficiency of a thousand workers down at Henderson, just in the shipbuilding sector. [...] We need another four and a half thousand by 2040, so there are five and a half thousand. This I see as an opportunity...³¹⁷

Finding 64

An area of potential growth for Western Australia is positioning the state as the science and engineering study hub for Indonesian students, capitalising on our mining and resources strengths.

Finding 65

The memorandum of understanding between the Indonesian Ministry of Energy and Mineral Resources and the state government to promote vocational education and training (VET) collaboration (particularly in electrical and renewable energy upskilling), is an important milestone in the bilateral relationship and has the potential to deliver benefits for both jurisdictions.

316 Ms Rebecca Brown, Director General, Department of Jobs, Tourism, Science and Innovation, Letter, 10 May 2022, p 9.

317 Mr Michael Faulkner, Manager Economic Development and Business Management, City of Cockburn, *Transcript of Evidence*, 30 November 2022, p. 12.

Workplace/skills programs under the IA-CEPA

- 5.43 There are three skills programs under the IA-CEPA which offer opportunities in education, skills and training, as well as the important aspect of establishing people-to-people links to foster greater cultural literacy and linguistic skills: the Indonesia-Australia Skills Development Exchange Pilot Project, Workplace-Based Training Visa Arrangement Pilot, and working holiday visa program. The unique features of each of these programs are discussed in more detail below.
- 5.44 The committee heard that there are some barriers to the uptake of these opportunities, namely the:
- low-levels of awareness of the opportunities
 - level of commitment and effort required (especially the paperwork) on the part of the Australian businesses who would be required to sponsor the applicants.
- 5.45 The committee was also concerned that visa requirements might be preventing people from participating in the programs. However, the Department of Home Affairs said it was not aware of visa requirements constraining the uptake of places. It added that both Australia and Indonesia had committed to periodically review the implementation of the IA-CEPA, which includes the implementation of the Skills Development Exchange and the Workplace-Based Training Visa Pilot Workplace Based Training Visa Pilot,³¹⁸ which are both outlined in more detail in the following sections.
- 5.46 Skills exchange under the IA-CEPA has received attention at the top tier of government with Indonesian President Jokowi's recent visit to Australia. Following his meeting with Prime Minister Albanese, the Prime Minister announced that the two countries would support skills exchanges under the IA-CEPA.³¹⁹

Finding 66

The Indonesia-Australia Skills Development Exchange Pilot Project, Workplace-Based Training Visa Arrangement Pilot, and the working holiday visa program offer opportunities in education, skills and training. If utilised to their full potential, they could establish people-to-people links to foster greater cultural literacy and linguistic skills. However, there are some potential barriers to the uptake of these opportunities.

Indonesia-Australia Skills Development Exchange Pilot Project

- 5.47 The Indonesia-Australia Skills Development Exchange Pilot Project allows businesses from both countries to send employees to work for up to six months in the other country.
- 5.48 The pilot project applies to people in the financial and insurance services; mining, engineering and related technical services; and information media and telecommunications services. DFAT explained that the host organisation must ensure

318 Ms Karin Maier, Acting First Assistant Secretary, Immigration Programs Division, Department of Home Affairs, Letter, 2 May 2023, p. 2.

319 Nana Shibata and Ismi Damayanti, 'Australia extends business visas for Indonesians', *Nikkei Asia* (web-based), 4 July 2023, accessed 21 July 2023, <<https://asia.nikkei.com>>.

all workplace law requirements in Australia are met during the exchange. Additionally, for workplace placements in positions that are regulated occupations, the employee must satisfy licensing or related requirements specified by the regulator for the occupation in the relevant jurisdiction.³²⁰

- 5.49 Furthermore, to be eligible for the program, applicants must, among other things, ‘have adequate language proficiency.’ Indonesians applying for an Australian visa as part of this exchange must first apply to DFAT for a letter of support. Once a letter of support has been obtained, applicants must then apply for a *Temporary Work (International Relations) Visa (Subclass 403) Government Agreement Stream*. The individual seeking to participate in the exchange is responsible for the visa application, and should provide the abovementioned letter of support as part of this process.³²¹
- 5.50 There were 300 places available to Indonesians under the skills development exchange for the year ending 5 July 2023, but as at May 2023 no applications had been lodged under this program.³²² The number of available places will increase to 500 by 2025.³²³
- 5.51 Asialink Business believes there are ‘a number of under-utilised national programs’ in Australia which WA could more effectively utilise to reinvigorate its international education sector—these programs have the capacity ‘to ramp up the people-to-people exchange opportunities to build shared capability.’ The Skills Development Pilot program is one of these programs.³²⁴

Finding 67

The Indonesia-Australia Skills Development Exchange Pilot Program under the Indonesia-Australia Comprehensive Economic Partnership Agreement is an underutilised opportunity to reinvigorate Western Australia’s international education sector and increase people-to-people connections to build shared capability.

Workplace-Based Training Visa Arrangement Pilot (under the Reciprocal Skills Exchange Program)

- 5.52 Australia and Indonesia have agreed on a Workplace-Based Training Visa Arrangement Pilot alongside the IA-CEPA: the Reciprocal Skills Exchange Program MoU on Workplace Based Training. Under this, Australia has committed to allow up to 200 Indonesians per year (that is, 200 visas issued annually) to engage in six-month work training opportunities in Australia.

320 Submission 6, Department of Foreign Affairs and Trade, p. 4; Mr Richard Emerson-Elliott, Assistant Secretary, Free Trade Agreements Goods Branch, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 23 November 2022, p. 4.

321 Department of Foreign Affairs and Trade, *Skills Development Exchange*, n.d., accessed 24 January 2023, <<https://www.dfat.gov.au>>.

322 Ms Karin Maier, Acting First Assistant Secretary, Immigration Programs Division, Department of Home Affairs, Letter, 2 May 2023, p. 2.

323 Submission 6, Department of Foreign Affairs and Trade, p. 4; Department of Foreign Affairs and Trade, *Skills Development Exchange*, n.d., accessed 27 July 2023, <<https://www.dfat.gov.au>>.

324 Submission 15, Asialink Business, p. 4.

This aims to ‘help build the capacity of Indonesia’s workforce in key sectors, including those of interest to Australian investors.’³²⁵

5.53 The program is facilitated under the training visa (subclass 407). The MoU annually ‘reserves’ the 200 places for Indonesians. However the subclass 407 visa is not a capped visa, so there is no limitation in terms of the number of visas granted per year.³²⁶ Applicants must be sponsored by an approved organisation in Australia.³²⁷ The Department of Home Affairs advised that there were 108 subclass 407 visas granted from 1 July 2022 to 31 March 2023.³²⁸

5.54 The committee heard in May 2023 about a review underway of the reciprocal skills exchange program and the possibility of widening the sectors to which it applies, as there is strong demand for this type of opportunity from the Indonesian side. The sectors to which it initially applied were education, tourism, telecommunications, infrastructure development, health, energy, mining, financial services, and information and communications technology.³²⁹

Finding 68

There is strong demand for the types of opportunities available within the Reciprocal Skills Exchange Program under the Indonesia-Australia Comprehensive Economic Partnership Agreement. This program offers Indonesians six-month work training opportunities in Australia in the education, tourism, telecommunications, infrastructure development, health, energy, mining, financial services, and information and communications technology sectors.

Working holiday visa program

5.55 Australia and Indonesia currently have a separate arrangement that allows Australian and Indonesian travellers aged between 18 and 30 to work and holiday in the other country for up to 12 months. Under the IA-CEPA working holiday visa program, Indonesia receives an increase in the number of available Australian work and holiday visas.

5.56 The annual limit of working holiday visas for Indonesians, under the working holiday maker (subclass 462) visa, expanded from 1,000 places in the 2019-20 program year, to 4,100 places in the 2020–21 program year (noting that the IA-CEPA came into force on 5 July 2020).³³⁰

325 Department of Foreign Affairs and Trade, *Indonesia-Australia Comprehensive Economic Partnership Agreement: Outcomes*, n.d., accessed 28 July 2023, <<https://www.dfat.gov.au>>.

326 Submission 6, Department of Foreign Affairs and Trade, p. 4; Ms Karin Maier, Acting First Assistant Secretary, Immigration Programs Division, Department of Home Affairs, Letter, 2 May 2023, p. 2.

327 Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, p. 97.

328 Ms Karin Maier, Acting First Assistant Secretary, Immigration Programs Division, Department of Home Affairs, Letter, 2 May 2023, p. 2.

329 Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, pp. 40, 97.

330 Ms Karin Maier, Acting First Assistant Secretary, Immigration Programs Division, Department of Home Affairs, Letter, 2 May 2023, p. 1.

- 5.57 Visas granted to Indonesians in the 2022–23 program year met the (subsequently increased³³¹) annual allocation of 5,766 places. This is a significant increase in uptake from the first year of the program (July 2021 to June 2022) when only around 1,350 work and holiday visas were granted to Indonesians.³³²
- 5.58 This number allocation will increase to a total of 5,000 grants by the sixth (2025–26) program year. StudyPerth suggested that if Australia had capacity to further increase the working holiday maker visa numbers above the target specified in IA-CEPA, this would provide further opportunity for Indonesians to come and work in WA.³³³
- 5.59 The committee agrees that this would provide even more opportunity for WA to increase its share of Indonesians coming to the state, which could then create the initial contact for ongoing study, skills training and professional development opportunities.

Finding 69

Increasing the numbers of working holiday maker (subclass 462) visas allocated to Indonesians under the Indonesia-Australia Comprehensive Economic Partnership Agreement could be another way to encourage a greater number of young Indonesians to come to Western Australia. This would potentially create the initial contact for ongoing study, skills training and professional development opportunities.

Digital transformation and e-commerce

- 5.60 The digital transformation taking place in Asian economies, Indonesia included, is significant.³³⁴ Indonesia's rapidly growing digital ecosystem includes online commerce, ride-sharing services, media distribution and financial services. This has created new jobs, improved access to services, and greater connectivity with the global society for Indonesians.³³⁵ Indonesia's digital economy was valued at \$59 billion in 2019, with the expectation that it would reach \$166 billion by 2025.³³⁶
- 5.61 'Digital economy' is an umbrella term that refers to the 'use of information technology (IT) to create or adapt, market or consume goods and services.' Digital banking, e-commerce, virtual education, smartphone apps and online collaboration platforms are all part of the

331 The allocation increased in the 2022–23 program year beyond what was initially set out under the IA-CEPA as there was a 30 per cent increase to the caps for all work and holiday visas across all countries in response to Australia's labour market needs following the COVID-19 pandemic.

332 Ms Karin Maier, Acting First Assistant Secretary, Immigration Programs Division, Department of Home Affairs, Letter, 2 May 2023, pp. 1–2.

333 Submission 8, StudyPerth, p. 5.

334 Mr Leigh Howard, Chief Executive Officer, Asialink Business, *Transcript of Evidence*, 6 December 2022, p. 6.

335 Kaushik Das et al., *The digital archipelago: How online commerce is driving Indonesia's economic development*, McKinsey and Company, Indonesia, 2018, p. 5.

336 Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, p. 54.

digital economy.³³⁷ A digital economy is more than buying and selling online (e-commerce)—it also includes transmission of information and data across borders.³³⁸

5.62 The COVID-19 pandemic has accelerated digital transformation by adding urgency to governments to deliver key services during lockdown.³³⁹ COVID-19 also boosted the digital economy as lockdown measures meant products had to be purchased online rather than in person at retail outlets.³⁴⁰ E-commerce in particular is growing at a fast pace in Indonesia and is more sophisticated than in Australia with larger platforms, many of which are looking to engage with international investment.³⁴¹

Indonesia is racing up the technology curve. Internet and mobile use are increasingly pervasive, and the accelerating 5G rollout creates significant opportunities for businesses which leverage this connectivity. Indonesia has one of the highest rates of e-commerce take-up globally, with around half the population – 138 million people – regularly shopping online.

- Asialink Business

5.63 J.P. Morgan reports that a significant amount of Indonesians' spending is on travel, which is by far the most popular e-commerce market segment.³⁴²

5.64 Traveloka is an Indonesian online company with a website focused on travel and ticketing, although it is more than simply a travel provider, expanding over time to harness the power of the digital transformation. It promotes tourism in many countries with partners (both states and businesses) to increase mobility through an application. Based out of Jakarta, it is active in six countries and was the largest online travel app in South East Asia in 2022.³⁴³

5.65 The rise of social media sites such as Pinterest, Facebook and Instagram, with targeted advertisement, allowed micro-enterprises to sell and grow via social media, which is now estimated to being 40 per cent of all e-commerce sales in Indonesia. While this causes issues for Indonesia's tax authorities, it has connected merchants to young, technologically advanced Indonesian shoppers.³⁴⁴

337 Santander, *The digital economy: what is it and why it's the future of business*, 28 June 2022, accessed 17 February 2023, <<https://www.santander.com>>.

338 Department of Foreign Affairs and Trade, *Digital trade & the digital economy*, n.d., accessed 17 February 2023, <<https://www.dfat.gov.au>>.

339 United Nations Conference on Trade and Development, *Digital Economy Report 2021*, United Nations, Geneva, 2021, p. iv.

340 Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, p. 146.

341 Mr Leigh Howard, Chief Executive Officer, Asialink Business, *Transcript of Evidence*, 6 December 2022, p. 6.

342 J.P. Morgan, *E-commerce Payment Trends: Indonesia*, n.d., accessed 6 January 2023, <<https://www.jpmorgan.com>>.

343 Traveloka, *Australia Indonesia Business Council Conference*, Darwin, 2022.

344 J.P. Morgan, *E-commerce Payment Trends: Indonesia*, n.d., accessed 6 January 2023, <<https://www.jpmorgan.com>>.

With Indonesians consuming, shopping, and engaging globally. The speed of change in the market is exponential – it is no longer about moving into the middle class; it is now an expansion of the discretionary choices available within the growing middle class.

- Asialink Business

5.66 Digital health platforms, which offer online consultations, pharmaceutical deliveries and e-appointments,³⁴⁵ also grew during the pandemic with many Indonesians using apps to get medical consultations and medications. Austrade reported that the digital health applications are handled by firms that often have partnerships with key players in the health and tech sectors, such as hospital networks, pharmaceutical firms and e-commerce platforms.³⁴⁶

5.67 Education is another sector being revolutionised by digital transformation, in part

because of the past underperformance of Indonesia's education system (as of 2018, Indonesia had the world's fourth largest education system but it was a lower performing education system by international standards).³⁴⁷ Edtech consists of marketplaces, online class platforms, school management systems, student loans, and targets students, parents and teachers.³⁴⁸

Finding 70

The digital transformation taking place in Indonesia is significant. Indonesia's rapidly growing digital ecosystem includes e-commerce, ride-sharing services, media distribution and financial services. The COVID-19 pandemic has accelerated the shift to online services.

Indonesia's plan to become a leading digital economy

5.68 In 2021, DFAT identified the main obstacles to the growing digital economy in South East Asia as low levels of digital payment, and undeveloped logistics and online connectivity outside the major cities. However, COVID-19 has accelerated the shift to digital wallets.³⁴⁹ With regards to online connectivity, the committee heard at the 2022 AIBC conference in Darwin that while Indonesia is around 10 years behind Australia and others in moving to a digital economy, it is accelerating its 5G rollout, potentially 'leap-frogging' 3G and 4G infrastructures into a 5G world.³⁵⁰

345 Austrade, *Digital Technology to Indonesia: Trends and opportunities*, n.d., accessed 6 January 2023, <<https://www.austrade.gov.au>>.

346 *ibid.*

347 *ibid.*

348 *ibid.*

349 Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, pp. 53–54.

350 Andrew Wanandy, RackCorp Secure Cloud, 'Digital Economy: Tapping into Indonesia's Digital Transformation', *Australia Indonesia Business Council Conference*, Darwin, 2022.

5.69 Still, Indonesia continues to face the following obstacles in improving its digital outlook:

- Ability of the public and private sectors to fill the country's 'yawning' talent gaps (digital professionals, digital facilitators, digital-savvy leaders).³⁵¹
- Increasing the capacity of midsize companies so that they can take better advantage of the global export opportunities offered by digital platforms.³⁵²
- Transparency in the digital arena.³⁵³
- Infrastructure and connectivity:³⁵⁴ delivery of online purchases is a significant challenge in Indonesia as the country has 17,508 islands (6,000 inhabited) and traverses mountainous regions, which require infrastructure and connectivity. Some streets lack official names or there are double-ups. PT Pos Indonesia, the national postal service, also lags in terms of infrastructure.³⁵⁵

5.70 However, Indonesia aims to become a leading digital economy in South East Asia and the Indonesian government is moving on its intention to accelerate the development of the digital ecosystem through:

- high-speed internet infrastructure
- a national data centre to digitise public services
- a digital capable workforce, developed through training and initiatives to increase digital literacy and skills
- supporting the participation of micro, small and medium enterprises (MSME) through financial and non-financial means
- a Personal Data Protection Bill to regulate data collection, data security and individual rights regarding personal data.³⁵⁶

Finding 71

Indonesia is moving to accelerate the development of the digital ecosystem through five main initiatives: a digital capable workforce; the Personal Data Protection Bill; the national data centre; supporting the participation of micro, small and medium enterprises; and high speed internet infrastructure.

351 Kaushik Das et al., *The digital archipelago: How online commerce is driving Indonesia's economic development*, McKinsey and Company, Indonesia, 2018, p. 12.

352 *ibid.*

353 *ibid.*

354 Austrade, *Digital Technology to Indonesia: Trends and opportunities*, n.d., accessed 6 January 2023, <<https://www.austrade.gov.au>>.

355 J.P. Morgan, *E-commerce Payment Trends: Indonesia*, n.d., accessed 6 January 2023, <<https://www.jpmorgan.com>>.

356 Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, p. 58; 'Digital Economy: Tapping into Indonesia's Digital Transformation', *Australia Indonesia Business Council Conference*, Darwin, 2022.

E-commerce opportunities

5.71 The IA-CEPA improves the environment for digital trade between Australia and Indonesia, supporting companies and consumers in cross-border online marketplaces. The agreement:

- sets protections for business and consumer privacy
- prevents software suppliers from having to disclose source code for import, sale and distribution of their software
- encourages digital cooperation for MSMEs and augments cybersecurity
- eases cross-border trade through the use of electronic signatures and electronic documentation
- improves transparency and rights of e-commerce users.³⁵⁷

The early growth in the Indonesian e-commerce market may well come through a start-up ecosystem in Armadale or Northbridge.

*- Leigh Howard, Chief Executive Officer,
Asialink Business*

5.72 According to Asialink Business, the reform of digital trade enacted under the IA-CEPA has contributed to 'a smoother, more cost-effective, and more deeply integrated e-Commerce opportunity.'³⁵⁸ As time goes on, WA businesses working in sectors such as consumer products, and food and beverage should be able to sell into Indonesia via e-commerce.³⁵⁹

5.73 Asialink Business conducted an 'e-commerce in Indonesia' masterclass series, and some insights from this include the observation that branding is critical, and that brand is essential to achieve volume. Cultural understanding is needed to develop branding, which in turn requires insight into Indonesian shopping culture. Brand also 'buys relationships and trust in a crowded e-commerce global marketplace.' And furthermore, 'e-commerce requires an upfront capital investment to build relationships and trust.'³⁶⁰

5.74 In addition, Asialink Business suggested that the WA Indonesian diaspora community could be engaged to better understand the 'Indonesian e-commerce customer journey and business experience.'³⁶¹

5.75 With the high adoption of digital technologies across Indonesia, further technical developments in the pipeline, and the changed payment landscape since COVID-19, there are a range of opportunities emerging in the e-commerce sector. This is a sector with opportunities for investment and collaboration, and a sector where start-ups and scale-ups could be encouraged. Asialink Business told the committee that WA could 'really distinguish

357 Submission 6, Department of Foreign Affairs and Trade, p. 3.

358 Submission 15, Asialink Business, p. 3.

359 *ibid.*

360 *ibid.*

361 *ibid.*

itself' in the e-commerce sector and pursue opportunities in relation to the Indonesian market.³⁶²

Finding 72

The reform of digital trade enacted under the Indonesia-Australia Comprehensive Economic Partnership Agreement provides a smoother, more cost-effective, and more deeply integrated e-commerce opportunity for West Australian businesses.

Finding 73

With the high adoption of digital technologies across Indonesia, further technical developments in the pipeline, and the changed payment landscape since COVID-19, there are a range of opportunities emerging in the e-commerce sector. This is a sector with opportunities for investment and collaboration, and a sector where start-ups and scale-ups could be encouraged.

Partnering with tech unicorns

- 5.76 WA has been encouraged to take a more strategic approach to expand and diversify its economy. COVID-19 has changed market demands in Indonesia which resulted in a dramatic increase in a number of services such as transport, logistics, education, and online shopping.

Box 5.11: What are tech unicorns?

The term 'tech unicorn' is used to describe a privately-owned company that is valued at USD 1 billion or more. The term, popularised by venture capitalist Aileen Lee, reflects the rarity of such companies; they are generally built around an innovative idea that captures the imaginations (and wallets) of venture capitalists and private investors.

Indonesian e-commerce platform Bukalapak was an example of a tech unicorn before it was publicly listed on the Indonesian Stock Exchange in 2021. Its partnership with the Victorian government to establish a research and talent hub in Melbourne was suggested to the committee as being an example of soft diplomacy in action (see Case Study 2 and Chapter 3).

Source: Invest Victoria, *Indonesian tech company opens its Technology Hub in Melbourne*, 31 January 2022, accessed 20 July 2023, <<https://www.invest.vic.gov.au>>; Ayman Falak Medina, 'Bukalapak Becomes Indonesia's First Listed Tech Unicorn', *ASEAN Briefing* (web-based), 25 August 2021, accessed 20 July 2023, <<https://www.aseanbriefing.com>>.

- 5.77 The Indonesia Institute noted that during the pandemic nine tech unicorns (see Box 5.11) were added, creating more opportunities for trade and investment with WA, which needs to get its products to the Indonesian market quicker by using these platforms and building market awareness through social media.³⁶³
- 5.78 President Widodo has created a favourable policy environment for start-ups to grow, particularly through digital means. The growing start-up ecosystem in Indonesia has led to opportunities in the engineering and technology sectors to support this growth, which other Australian states have begun to embrace (see Case Study 2 below).

362 Mr Leigh Howard, Chief Executive Officer, Asialink Business, *Transcript of Evidence*, 6 December 2022, p. 6.

363 Submission 14, Indonesia Institute, p. 8.

Case Study 2

The University of Melbourne has signed a five-year MoU with the Indonesian e-commerce unicorn Bukalapak to establish Bukalapak's first international R&D hub. The hub, Buka Australia, is set to create opportunities for the University of Melbourne's graduate researchers and students to co-operate and develop a variety of skills with their Indonesian counterparts. Bukalapak's President Teddy Oetomo praised Melbourne's technology ecosystem, which would allow 'Indonesia's technology talents to cooperate with Australian technology practitioners'.³⁶⁴

- 5.79 WA has been slower in transforming and diversifying its economy outlook to embrace the rising e-commerce trends in Indonesia compared to other states. However, the Ambassador of the Republic of Indonesia in Australia communicated to the committee that there are many other rapidly growing tech unicorns in Indonesia beside Bukalapak (which has opened a tech-hub in Melbourne) and Privy (which has recently opened an office in Sydney) which would offer opportunities for WA to invest in the Indonesian digital ecosystem.³⁶⁵

Cross-border shopping and QR code payments

- 5.80 Indonesians increasingly are pre-loading cash value onto e-payment applications to pay for online purchases (digital or mobile wallet).³⁶⁶ In 2019, Bank Indonesia launched the QRIS (Quick Response Code Indonesian Standard), which combines all separate QR codes from different payment services into one QR code which can be used by merchants to receive payments from any e-wallets or banks that support QRIS. Most payment services support this system, including GoPAY and OVO.³⁶⁷
- 5.81 Australia does not currently have significant cross-border e-commerce platforms shared with Indonesia, and the leading Indonesian e-commerce platforms do not extend market access to Australia. However, there is opportunity in the future for digital economic cooperation in this area. The use of QR codes for payment is now employed throughout the ASEAN region. This cross-border QR payment linkage was enacted to improve connectivity and allows users to pay through QR and QRIS codes displayed by merchants, which is expected to help MSMEs on cross-border trade, e-commerce and tourism.³⁶⁸
- 5.82 Fintech is a federal government jurisdictional issue; however, were Australia to adopt a similar arrangement with Indonesia, it would presumably translate into further digital economic cooperation and work to start integrating e-commerce opportunities.

364 University of Melbourne, *Melbourne-Bukalapak partnership to boost Victorian tech innovation and entrepreneurship*, 25 February 2022, accessed 27 February 2023, <<https://research.unimelb.edu.au>>.

365 His Excellency Dr Siswo Pramono, Ambassador of Indonesia, Embassy of the Republic of Indonesia (Australia), *Briefing*, 2 February 2023.

366 US International Trade Administration, *Indonesia – Country Commercial Guide*, n.d., accessed 6 January 2023, <<https://www.trade.gov>>.

367 Wikipedia, *QR code payment*, accessed 6 January 2023, <<https://en.wikipedia.org>>.

368 Monetary Authority of Singapore, *Indonesia and Singapore to Pursue Cross-border QR Code Payments Connectivity and Explore Promoting the Use of Local Currencies for Bilateral Transactions*, media release, 29 August 2022; 'Indonesia launches QR code for payments among ASEAN countries', *The Star* (web-based), 30 August 2022, accessed 3 August 2023, <<https://www.thestar.com.my>>.

Finding 74

Australia does not currently have significant cross-border e-commerce platforms shared with Indonesia, and the leading Indonesian e-commerce platforms do not extend market access to Australia. The use of QR codes for payment is now employed throughout the ASEAN region but does not extend to Australia.

Recommendation 13

The state government should lobby its federal counterparts to ensure that Australia modernise its legislative and policy frameworks to facilitate access into the Indonesian market via e-commerce and QR code payment platforms (and vice versa). This would bring Australia into line with its South East Asian neighbours, providing for future digital economic cooperation.

Battery and electric vehicle supply chain opportunities

5.83 When President Widodo visited Australia in July 2023, he and Prime Minister Albanese agreed to 'further deepen their cooperation on the transition to cleaner energy.'³⁶⁹ Following their bilateral talks, the Prime Minister announced a \$50 million funding package to 'invest in start-ups and small-to medium-enterprises focused on Indonesia's energy transition and clean energy technology sectors.'³⁷⁰

Indonesia and Australia must build more substantive and strategic economic cooperation through the joint production of EV batteries.

- President Joko Widodo

5.84 The critical minerals sector offers WA and Indonesia opportunities to increase their mutually beneficial collaboration, particularly in relation to the manufacturing of batteries and EVs.³⁷¹

5.85 Many of these opportunities are the result of Indonesia's commitment to ambitious climate change mitigation measures.³⁷² By 2030, it aims to have reduced its greenhouse gas emissions by almost 32 per cent against a business-as-usual scenario.³⁷³ Two years from now, it wants to be deriving at least 23 per cent of its energy supply from renewable sources; remote areas in particular have been identified as needing new energy sources.³⁷⁴ President Widodo has announced plans to build a 'Green Industrial Park' using renewable energy to produce 'green products',³⁷⁵ and KADIN has established the Net Zero Hub, an

369 Nana Shibata and Ismi Damayanti, 'Australia extends business visas for Indonesians', *Nikkei Asia* (web-based), 4 July 2023, accessed 21 July 2023, <<https://asia.nikkei.com>>.

370 *ibid.*

371 Submission 6, Department of Foreign Affairs and Trade, p. 8.

372 Ms Larissa Taylor, WA Chair, Australia Indonesia Business Council, *Transcript of Evidence*, 23 November 2022, p. 3.

373 Government of Indonesia, *Enhanced nationally determined contribution: Republic of Indonesia*, United Nations Climate Change, 2022, p. 12; 'Indonesia pledges more ambitious carbon emission cut', *Reuters* (web-based), 25 October 2022, accessed 7 July 2023, <<https://www.reuters.com>>.

374 Submission 23, Department of Jobs, Tourism, Science and Innovation, pp. 14, 13.

375 Office of Assistant to Deputy Cabinet Secretary for State Documents and Translation, *President Jokowi Reveals Three Major Economic Strategies at Workshop for 100 Indonesian Economists*, media release, 26 August 2021.

initiative supporting private Indonesian companies to reduce their emissions until they are ‘net zero’.³⁷⁶

- 5.86 Batteries, which are central to the renewable energy transition, play a key role in Indonesia’s climate policy. The country has significant reserves of battery minerals such as nickel and cobalt,³⁷⁷ and the Indonesian government has shown interest in enhancing its downstream capabilities to convert these raw materials into semi-finished or finished goods.³⁷⁸ For example, the Department of Mines, Industry Regulation and Safety noted Indonesia’s desire to process locally-sourced nickel to produce hydroxide precipitate, a feedstock used to produce battery cathodes (see Box 5.13).³⁷⁹
- 5.87 Such developments will support Indonesia’s emerging EV industry, which inquiry stakeholders identified as an area for collaboration between WA and Indonesia.³⁸⁰ The transportation sector, responsible for around 44 per cent of Indonesia’s energy consumption, largely relies on oil products such as gasoline and diesel so there are considerable gains to be made through increased EV usage.³⁸¹ The Indonesian Government has also recognised the contribution that EVs could make to its gross domestic product (GDP), setting the goal of exporting 200,000 EVs by 2025.³⁸² According to Asialink Business, automotive manufacturers like Hyundai, Toyota and Tesla have already shown their interest in investing in EV and battery factories in Indonesia.³⁸³
- 5.88 WA is well-placed to assist Indonesia in its transition. The state supplies over half of the world’s lithium,³⁸⁴ a critical mineral required for battery production and one that Indonesia, due to a lack of reserves, will need to import if it wants to grow its battery and EV

376 KADIN, *Lead the national business towards net zero: Pledge*, n.d., accessed 5 July 2023, <<https://netzerohub.id>>; KADIN Indonesia, *KADIN Net Zero Hub*, n.d., accessed 5 July 2023, <<https://kadin.id>>.

377 Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 15; Submission 13, Murdoch University, p. 4; Mr Jonathan Gilbert, Director, Indonesia Economic and Trade Section, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 23 November 2022, p. 5.

378 Submission 4, Consulate General of the Republic of Indonesia (Perth), p. 9; Office of Assistant to Deputy Cabinet Secretary for State Documents and Translation, *President Jokowi Reveals Three Major Economic Strategies at Workshop for 100 Indonesian Economists*, media release, 26 August 2021; Office of Assistant to Deputy Cabinet Secretary for State Documents and Translation, *Gov’t to Stop Export of Raw Materials Gradually, President Jokowi Asserts*, media release, 27 December 2021.

379 Submission 7, Department of Mines, Industry Regulation and Safety, p. 3.

380 Submission 6, Department of Foreign Affairs and Trade, p. 9; Mrs Krista Dunstan, Investment and Trade Commissioner ASEAN, Department of Jobs, Tourism, Science and Innovation, *Transcript of Evidence*, Closed Session, 13 January 2023, p. 15.

381 Asian Development Bank, *Indonesia Energy Sector Assessment Strategy and Road Map: Update*, Asian Development Bank, Manila, Philippines, 2020, pp. 3, 5.

382 Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, p. 127.

383 Submission 15, Asialink Business, p. 2.

384 Chamber of Minerals and Energy of Western Australia, *Accelerating Opportunities in Western Australia’s Critical Minerals Sector*, Chamber of Minerals and Energy of Western Australia, Perth, 2023, p. 5; Submission 6, Department of Foreign Affairs and Trade, p. 9.

manufacturing capabilities.³⁸⁵ DFAT pointed out that the IA-CEPA enables both Indonesia and WA to benefit from our wealth of lithium:

- WA could export lithium to Indonesia for battery manufacturing
- Indonesia could then export the EVs that it subsequently manufactures back to WA.³⁸⁶

5.89 The advanced manufacturing of EVs and batteries are priority sectors under the IA-CEPA,³⁸⁷ and DFAT said work was being undertaken through Katalis (see Box 5.12) to scope the potential opportunities for Australian companies in both areas.³⁸⁸

Box 5.12: IA-CEPA ECP Katalis

IA-CEPA ECP Katalis (Katalis) is a joint program aimed at unlocking the economic potential of the Australia-Indonesia partnership. Established under the Indonesia-Australia Comprehensive Economic Partnership Agreement Economic Cooperation Program (IA-CEPA ECP), it is described as a 'five-year (2020-25) government-backed business development program'.

Activities include identifying opportunities that 'bring together the complementary strengths and ambitions of Indonesia and Australia', as well as 'sharing market insights, building skills and knowledge, providing technical advice, and supporting policy reform.'

Source: IA-CEPA ECP Katalis, *About Katalis*, n.d., accessed 28 July 2023, <<https://iacepa-katalis.org>>.

5.90 While acknowledging the importance of critical minerals to the WA–Indonesia trade relationship, the AIBC encouraged the state to move beyond 'digging stuff up and shipping it off' and instead collaborate with Indonesia by assisting in the investment and development of renewable energy technology.³⁸⁹ AIBC WA Chair Larissa Taylor said:

I think we have to take a sophisticated approach with the Indonesians about co-designing along the cost curve of that technology. Where are their strengths? Where are ours? How do we grow the share of the pie and achieve our transition objectives at the same time?³⁹⁰

5.91 Exporting lithium to Indonesia is slightly complicated by Australia's ambitions to strengthen its critical mineral supply chains, grow its own downstream capabilities, and process and refine more locally-sourced minerals in Australia. As the Australian government's *Critical Minerals Strategy 2023–2030* explains, Australia aims to be a 'globally significant producer of raw and *processed* critical minerals [emphasis added]' by 2030.³⁹¹ Arguably this goal cannot

385 Ms Larissa Taylor, WA Chair, Australia Indonesia Business Council, *Transcript of Evidence*, 23 November 2022, p. 3; Mr Jonathan Gilbert, Director, Indonesia Economic and Trade Section, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 23 November 2022, p. 5.

386 Submission 6, Department of Foreign Affairs and Trade, p. 7.

387 *ibid.*, p. 6.

388 Mr Jonathan Gilbert, Director, Indonesia Economic and Trade Section, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 23 November 2022, p. 5.

389 Ms Larissa Taylor, WA Chair, Australia Indonesia Business Council, *Transcript of Evidence*, 23 November 2022, pp. 4–5.

390 *ibid.*

391 Australian Government, *Critical Minerals Strategy 2023–2030*, Department of Industry, Science and Resources, Australia, 2023, p. 4.

be realised if most of the country's lithium (99 per cent of which sits in WA)³⁹² is exported before it can be processed.

5.92 Critical minerals are also increasingly seen through a security lens. They are crucial to technologies and industries that support a country's economy, energy and defence and, in a world of rising geopolitical tensions, are gaining national importance. As an example, the Australian government recently prevented a non-Australian investment fund from increasing its stake in rare earths producer Northern Minerals Limited on national security grounds.³⁹³ It may be the case that WA companies working in the lithium industry may soon face growing scrutiny about the origins of their inbound investment.

5.93 WA and Indonesia have similar strengths in the resources sector which, at least when it comes to exporting minerals, can cause them to be viewed as rivals rather than partners. Indonesia produces many of the minerals that WA exports, including gold and copper, and is a 'major competitor' to WA's nickel industry.³⁹⁴ Both trading partners also have the same ambition to develop a precursor cathode active materials (P-CAM) industry (see Box 5.13) but, thanks to Indonesia's lower labour and manufacturing costs and strong inbound investment, some stakeholders argue that WA is unlikely to be more competitive than Indonesia when it comes to pricing and selling the products.³⁹⁵

In our discussions, I think it is about us going, "Maybe we don't do every step of the value chain but maybe we select those parts where we will fit hand in glove with the aspirations of our partner markets."

- Simone Spencer, Department of Jobs, Tourism, Science and Innovation

5.94 There are, however, gains to be made by businesses and investors from both countries engaging in joint projects. Under the IA-CEPA, WA companies are able to own up to 67 per cent of mining service entities (specifically those relating to contract mining and mine site preparation) established in Indonesia.³⁹⁶ The agreement also provides investors with greater legal certainty about their investments, guaranteeing that they will 'always be able to maintain a controlling stake in their investments' and providing dispute settlement mechanisms.³⁹⁷

392 Chamber of Minerals and Energy of Western Australia, *Accelerating Opportunities in Western Australia's Critical Minerals Sector*, Chamber of Minerals and Energy of Western Australia, Perth, 2023, p. 5.

393 Stephen Dziedzic and Daniel Mercer, 'Federal government blocks Yuxiao Fund's bid to increase its stake in Northern Minerals', *ABC News* (web-based), 1 March 2023, accessed 7 July 2023, <<https://www.abc.net.au>>.

394 Submission 7, Department of Mines, Industry Regulation and Safety, pp. 2, 3.

395 *ibid.*, p. 3.

396 Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, p. 49; Submission 6, Department of Foreign Affairs and Trade, p. 6.

397 Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, p. 127.

Box 5.13: Cathode active materials (CAM) and precursor cathode active materials (P-CAM)

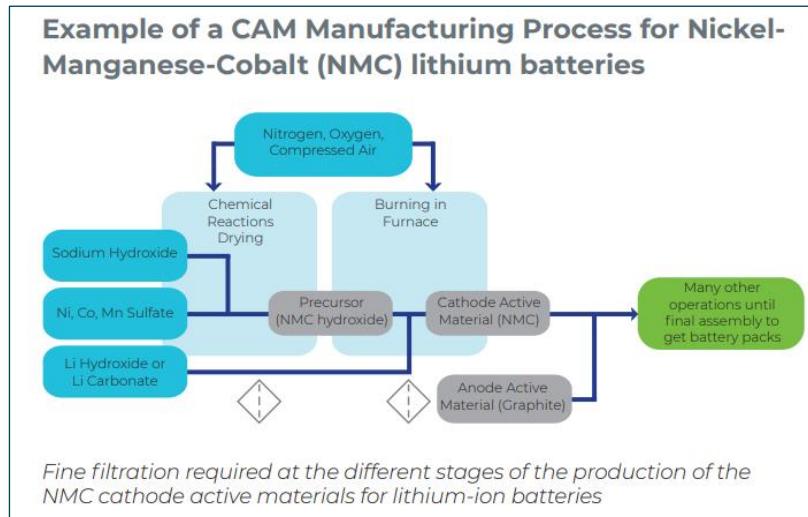
The type of battery most commonly used for EVs and consumer electronics are lithium-ion batteries.

Like most household batteries, they contain a cathode which facilitates the flow of electric charge. Creating a cathode is a complex, multi-stage process, which turns concentrated minerals into purified metal salts, then a mixed metal hydroxide precursor (P-CAM) product and then a lithiated cathode active material (CAM) product (see below figure).

Because WA has significant reserves and processing capability in lithium, nickel, manganese, and cobalt—all of which go into lithium batteries—it is considered to be well-placed to lead Australia's manufacturing of battery materials, particularly P-CAM and CAM products.

As its name indicates, P-CAM is a precursor to CAM. It is a mixed-metal hydroxide made up of—among other things—nickel sulphate, manganese sulphate and cobalt sulphate, and created through a co-precipitation method. P-CAM is often produced by one manufacturer before being on-sold to manufacturers who use it to produce CAM.

At its most basic level, CAM are simply P-CAM with lithium hydroxide added. However, the way in which CAM are created (i.e. the temperature or stirring rate), and their compositional make up, impacts how a battery functions. Lithium iron phosphate, for example, is commonly used in EV batteries because it is a stable CAM, has low toxicity, and is relative low-cost.



Source: Future Battery Industries CRC, *Cathode facility officially launched*, 11 July 2022, accessed 7 July 2023, <<https://fbicrc.com.au>>; Future Battery Industries CRC, *Li-ion battery cathode manufacture in Australia: A scene setting project*, Department of Industry, Innovation and Science, Australia, 2020, pp. 7, 20; PALL Corporation, *Cathode active materials in electric vehicle (EV) battery production*, PALL Corporation, USA, 2021, p. 1.

5.95 Evidence from Asialink Business suggests that investment will likely flow two ways, with Indonesian mining companies also looking offshore for investment opportunities.³⁹⁸ Indeed, JTSI said one of the ways WA could grow its relationship with Indonesia was by working with Indonesian partners to attract investment into downstream battery materials processing such as P-CAM and CAM manufacturing.³⁹⁹

5.96 The IA-CEPA has identified the EV advanced manufacturing industry as a key priority for economic cooperation. According to DFAT, discussions about Australia and Indonesia's

398 Submission 15, Asialink Business, p. 4.

399 Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 14.

complementarities in this area are in their ‘preliminary phase’.⁴⁰⁰ However, the trading partners intend to undertake bilateral dialogues to discuss:

- ‘commercial linkages between component manufacturers and the automotive industry’
- ‘lithium-ion battery technology development’
- ‘securing raw materials and EV components’.⁴⁰¹

5.97 This work has been bolstered in WA by the MoU between KADIN and the state government. The government sees the MoU as providing a framework for constructing and securing critical mineral supply chains and promoting investment and collaboration in the development of ‘value-adding critical minerals and battery industries’.⁴⁰²

5.98 KADIN and WA Premier Roger Cook recently signed an action plan in support of the MoU. It identifies three ‘pillars of cooperation’:

- developing resilient and sustainable supply chains
- supporting strong environmental and social governance outcomes
- growing a skilled workforce.

5.99 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. Strategic analysis will also be commissioned to ‘map future opportunities for Western Australia and Indonesia to collaborate under the three pillars of cooperation’.⁴⁰³

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.

400 Mr Jonathan Gilbert, Director, Indonesia Economic and Trade Section, Department of Foreign Affairs and Trade, *Transcript of Evidence*, 23 November 2022, p. 5.

401 Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, p. 128.

402 Hon Roger Cook, Premier; Minister for State and Industry Development, Jobs and Trade; Public Sector Management; Federal-State Relations, *Action plan powers critical minerals investment and opportunity for WA and Indonesia*, media release, 4 July 2023.

403 *ibid.*

Recommendation 14

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.

Mining equipment, technology and services

5.100 The mining equipment, technology and services (METS) sector offers promising opportunities for WA businesses.⁴⁰⁴ As at 2020, Indonesia was home to the world's largest gold mine, second largest copper mine and five largest coal mines, based on annual production. The mining industry contributes around four to six per cent of Indonesia's GDP, and according the JTSI is an important source of inbound foreign investment and export revenue.⁴⁰⁵

5.101 The committee identified several areas in which WA mining and METS companies could participate, including:

- safety and mining software
- artificial intelligence and robotics, which could be used to increase the efficiency and productivity of mining operations
- education and training services for workforce development
- exploration technologies across 'analysis and modelling, advanced geophysical tools and methods, and low footprint and mobile drilling'
- technology, systems and expertise in work safety, environmental sustainability, and corporate social responsibility
- support services relating to 'exploration, operation and maintenance, upgrading through digitisation, and decarbonising operations.'⁴⁰⁶

5.102 Many of these areas are captured in the guide released by JTSI in September 2020, *The opportunity for Western Australian METS companies in Indonesia*. As its title suggests, the guide outlines the opportunities for WA companies as well as providing a 'roadmap' for those seeking to enter the market.⁴⁰⁷

404 Submission 7, Department of Mines, Industry Regulation and Safety, p. 2.

405 Department of Jobs, Tourism, Science and Innovation, *The opportunity for Western Australian METS companies in Indonesia*, Government of Western Australia, Perth, 2020, p. 3.

406 *ibid.*, pp. 9–10; Submission 7, Department of Mines, Industry Regulation and Safety, p. 2; Submission 22, Chamber of Minerals and Energy of Western Australia, p. 2.

407 Department of Jobs, Tourism, Science and Innovation, *The opportunity for Western Australian METS companies in Indonesia*, Government of Western Australia, Perth, 2020; Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 17.

I think our advantage will be in our ESG credentials, and that midstream is really going to be occupied by those people who are able to demonstrate that they can actually participate with a clean, green industry regulation focus.

- Simone Spencer, Department of Jobs, Tourism, Science and Innovation

5.103 In particular, WA mining companies may be able to assist Indonesia by sharing their experience in meeting the environmental, social and governance (ESG) standards increasingly used by investors to assess business performance.⁴⁰⁸

5.104 As an example, there is a growing expectation that mine sites will be rehabilitated to repair the ecosystems and land affected by operations. Thanks to the comparatively strict remediation standards required in Australia, WA companies can 'offer expertise in analysing and customising solutions for long-term successful outcomes.'⁴⁰⁹ Curtin University indicated that it is already moving into this space, offering corporate training projects in ESG in the broader ASEAN region.⁴¹⁰

Finding 78

The mining equipment, technology and services (METS) sector offers promising opportunities for WA businesses in Indonesia.

408 Ms Simone Spencer, Deputy Director General, Strategy and International Engagement, Department of Jobs, Tourism, Science and Innovation, *Transcript of Evidence*, 11 May 2022, p. 14.

409 Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, p. 133.

410 Submission 19, Curtin University, pp. 1–2.

Chapter 6

A successful long-term engagement strategy

Strategy development is a continuous process informed by various successes and failures, and evolving global and regional circumstances.

Regular engagement with the multitude of stakeholders both in WA and Indonesia is key to success, and generally raising of the trust and understanding between our communities.

In recent times the WA Government has conspicuously increased its focus and activity with Indonesia, which is most welcome and to be commended.

Asia Business Council of Western Australia Inc.

- 6.1 The Indonesian market requires a different engagement style than the approach traditionally adopted by WA. This chapter examines the adjustments that the state needs to make in order to engage Indonesia more effectively, suggesting that the most promising outcomes lie in bespoke engagement strategies that take into account Indonesia's unique characteristics.

Engaging Indonesia

- 6.2 WA and Indonesia already have the structure of a relationship in place, with organisations and individuals doing excellent work to build out these connections. As outlined in Chapter 3, building people-to-people links will embed the bilateral relationship so that business and government connections can be expanded to the benefit of both WA and Indonesia.
- 6.3 Visible support, with symbolic gestures, is important for the relationship. Recognising key events such as Indonesia's Independence Day with official representation is one way to do this.⁴¹¹
- 6.4 In addition, WA needs to cooperate with Indonesia to assist its economic development and provide Indonesians with critically needed services. This is necessary to avoid the perception that WA places less importance on Indonesia than on China and India. The Indonesia Institute believes that WA is 'missing critical opportunities that are being recognised by other states.'⁴¹²
- 6.5 Inquiry stakeholders stressed the need for an Indonesian engagement strategy tailored to the unique characteristics of the Indonesian market. WA's current policy framework for engagement with Indonesia is set out in Box 6.14. This engagement is undertaken in line with WA's *Asian Engagement Strategy* and is supported by grant funding to businesses and Asia capability workshops.

411 Submission 14, Indonesia Institute, p. 6.

412 *ibid.*

Box 6.14: Western Australia's current framework for engagement with Indonesia***Asian Engagement Strategy 2019–2030: Our future with Asia***

The state government has developed the *Asian Engagement Strategy 2019–2030*, which is the overarching policy framework guiding WA's engagement with Asian markets. Strengthening ties with Indonesia is a key component of the strategy, which aims to support:

- the maximisation of trade and investment opportunities
- Asia literacy and capability
- people-to-people links
- business networks and communities.

The strategy aims to provide direct support to WA businesses through two programs:

- The Access Asia Business Grants, which fund initiatives to increase trade and investment with Asia.
- The Asia Business Capability workshops, which support people to gain the Asia literacy skills required to develop sophisticated relationships and capture trade opportunities. Workshops with an Indonesia-relevant component were held in November 2020 and May 2021.

The strategy envisages that by 2030 WA will have increased trade and investment, diversified its economy, and developed a workforce that is Asia-engaged and literate. It identifies actions as part of the plan for growing the state's role and partnerships with Asia, and aligns with the state's economic development framework, *Diversify WA*.

Diversify WA: Strong Economy, Creating Jobs, Diverse Industries

Diversify WA is the state's economic development framework. Its main objectives are to diversify the state's economy (and therefore reduce its over-reliance on the mining sector), drive productivity growth, and keep WA businesses competitive in a changing global economy.

Like the *Asian Engagement Strategy*, it identifies six 'priority sectors' for development: energy; tourism, events and creative industries; international education; mining and mining equipment, technology and services (METS); technology and advanced manufacturing; and primary industries.

The state government has revised *Diversify WA* once since its release in 2019, expanding the framework to include eight 'external-facing sectors' and identifying specific cross-sector activities that will improve the economy's value and productivity. These activities included supply chain development and environmental, social and government (ESG) frameworks.

The *Supply Chain Development Plan 2021–22*, which guides the WA government's efforts in increasing WA business participation in more diversified supply chains, and *Future State: Accelerating Diversify WA*, which sets out the 'most exciting opportunities for investors, focusing on the State's areas of competitive advantage.'

Indonesia Market Outlook

The state government's *Indonesia Market Outlook* is a report outlining the trade and investment opportunities that exist in Indonesia for WA businesses. The most recent outlook (2022–23) focuses on the areas of energy; tourism, events and creative industries; international education; mining and METS; and primary industries.

Sources: Submission 23, Department of Jobs, Tourism, Science and Innovation, pp. 25, 27; Department of Jobs, Tourism, Science and Innovation, *Western Australia's Asian Engagement Strategy 2019–2030: Our future with Asia*, Government of Western Australia, Perth, 2019; Department of Jobs, Tourism, Science and Innovation, *Diversify WA: Supply Chain Development Plan 2021–22*, Government of Western Australia, Perth, 2021; Department of Jobs, Tourism, Science and Innovation, *Future State: Accelerating Diversify WA*, Government of Western Australia, Perth, 2023, p. 3; Department of Jobs, Tourism, Science and Innovation, *Diversify WA economic development framework*, 24 May 2023, accessed 21 July 2023, <<https://www.wa.gov.au>>.

- 6.6 The Indonesia Institute told the committee that, rather than a broad Asia strategy, WA should (as businesses generally do) tailor approaches and strategies for different markets.⁴¹³ The Indonesia Institute expressed concern that in ‘having a broad Asian trade strategy or blanket approach’ WA could be seen to be demonstrating its inexperience in and lack of knowledge of the Indonesian market. It could also send a message that we do not value our Indonesian partners enough to understand their unique cultural and economic attributes.⁴¹⁴

We should recognise that Indonesia has a distinct identity from "Asia" with characteristics linked to local dialects, food, religion and social customs and philosophy. It is ethnically distinct from the misnomer of the term "Asia" as one collection of countries in the region. It begins with this mindset that sets the tone for the West Australian way in dealing with Indonesia.

- Indonesia Institute

Finding 79

Both symbolic and practical aspects are important in developing Western Australia’s relationship with Indonesia.

A long-term strategic approach is required

- 6.7 The committee heard that WA needs to change its ‘thinking architecture’ when it comes to Indonesia.⁴¹⁵ For business and industry players (and the government departments assisting them into the market), this means taking a longer-term approach, valuing the bilateral relationship for more than just an immediate return on investment.

Expecting quick returns from Indonesia is not the right mindset for what the market has to offer. The focus should be on putting in place the foundations for growth over the coming years to realise long-term and large-scale returns.

- Asialink Business

- 6.8 JTSI acknowledges the cultural aspect of the trade relationship and also that there have been times when Indonesians were ‘disappointed by trade and business delegations being overly mercantilist and transactional in their approach when a partnership-based approach was expected and preferred.’ JTSI advised that its Invest and Trade WA team ‘is working to overcome these challenges with a focus on bridging this gap and facilitating relationships and partnerships between Western Australia and Indonesia.’⁴¹⁶
- 6.9 A break-out discussion at the Indonesia Connect event in October 2022 (on supply chain resilience) included comments from subject-matter experts about a fundamental tension between the two business cultures—Australian companies want to see a return within seven years, whereas Indonesians (among other Asian cultures) take a longer-term view of risk. It

413 *ibid.*

414 *ibid.*

415 Asialink Business, *Briefing*, 31 January 2023.

416 Submission 23, Department of Jobs, Tourism, Science and innovation, p. 30.

was noted that WA (and Australian) businesses are trying to carry out a Westminster-style business approach in Asian markets. In advice to Australian businesses looking to enter the Indonesian market, set out in the publication *A Blueprint for Trade and Investment with Indonesia*, DFAT emphasised the importance of the longer-term approach over the desire for immediate returns on investment.⁴¹⁷

- 6.10 Business stakeholders seemed to agree, though they conceded the approach might present challenges. Asialink Business told the committee that its discussions with senior executives in large Australian companies

reveal that while many business leaders understand the need for a long-term growth strategy and the right mix of capabilities to succeed, they feel hindered by a lack of current information, pressure to show short-term results, negative public perceptions about Asian investment, and analysts' aversion to overseas investment.⁴¹⁸

- 6.11 Speaking to the committee about WA primary industries export relationships with Indonesia, DPIRD said that while the Indonesian market holds great potential for WA, exporters must understand that 'it is a longer term relationship.' DPIRD believes the benefits will come once relationships are established, interest is created, and the necessary certifications are done (which can take some time, as explained in Chapter 2). Unlike WA's trade relationship with China over the years (not only with iron ore, but also with horticultural and other primary industries products), Indonesia 'is not one of those transactional markets that you can enter quickly and get a margin.'⁴¹⁹

... these opportunities with large populous Asian countries—they are quite close, we just have to learn how to crack the nut in terms of converting the opportunities, but they are not going to be as easy or as transactional as we got away with, almost, in the past.

- Asialink Business

- 6.12 In fact, the opportunity that China presented to WA in terms of timing and 'the price points that came with it' is unlikely to be repeated in this changed global environment. The world is, according to Asialink Business, 'entering what appears to be a more challenging phase.' Exporting internationally is more difficult as 'there is a sense of a retreat from globalisation' as we know it, creating challenges for supply chains and freight rates. Ultimately, realising the opportunities inherent in the Indonesian market will take more effort.⁴²⁰

417 Department of Foreign Affairs and Trade, *A Blueprint for Trade and Investment with Indonesia*, Australian Government, Barton ACT, 2021, pp. 79, 103, 136, 137, 138, 164.

418 Submission 15, Asialink Business, p. 2.

419 Ms Joan Lim, Manager, Primary Industries Trade, Department of Primary Industries and Regional Development, *Transcript of Evidence*, Closed Session, 16 November 2022, p. 6.

420 Mr Leigh Howard, Chief Executive Officer, Asialink Business, *Transcript of Evidence*, 6 December 2022, p. 9.

- 6.13 Not only does the Indonesian market require a different engagement style than what WA industry and government are familiar with, Indonesia itself has changed considerably since the onset of the COVID-19 pandemic. Engagement strategies must be revised.⁴²¹
- 6.14 Changing demand trends post-pandemic include an increased uptake in technology and online services in sectors such as transport, logistics, education and online shopping, as explained in Chapter 5. Regularly reviewing and updating an engagement strategy ensures that goals for that market are informed by emerging and changing demand trends.⁴²²
- 6.15 Some say WA has not done Indonesian strategic engagement well in the past. Curtin University said ‘WA dominated the Indonesian market in almost every education sector’ during the 1990s and early 2000s largely due to WA’s geographic proximity to Indonesia and robust industry connections. But ‘little attention was given to the long-term strategic development of higher education as a significant exporter for WA, and of our capacity to maintain market share amidst aggressive competition from other states.’⁴²³ While the state government is now addressing this, it will take time to redress the loss of market share that WA has experienced in the international education sector.
- 6.16 JTSI advised that while the Indonesian market holds great potential for WA, ‘this is also true for a number of other countries in the Indo-Pacific region.’ WA must also work to maintain trade relationships with its traditional markets in China, Japan and South Korea and key North American and European sources of foreign investment. In other words, the state government must balance trade and investment activities across its priority markets.⁴²⁴
- 6.17 The committee believes there is benefit in the state government developing a more nuanced hierarchy of opportunity. While it agrees with JTSI’s observation that there are a number of promising trade relationships that WA could pursue in the Indo-Pacific region, arguably none are as well placed as Indonesia. If WA made the same level of investment in Indonesia as it does in WA’s more traditional trading partners, it is likely that the Indonesian investment would result in greater returns because of the country’s rising economy and close proximity to WA. A similar level of return is not achievable if we wait—WA needs to invest in the relationship now or risk playing ‘catch up’ in the future.
- 6.18 The committee encourages the state government to sharpen its focus on the relationship with Indonesia. As suggested above, in the past, WA has not focused on the unique characteristics of its relationship with Indonesia as well as it might have, especially when compared to its engagement with its traditional markets.
- 6.19 The state government should develop an approach supported by a policy framework drawing on sectoral strengths (for example, in energy, engineering, education and technology) that support long-term trade and investment with Indonesia, understanding that not all sectors will deliver immediate returns. If it prioritises laying the foundations for growth for both Indonesia and WA, long-term and large-scale returns are possible. However,

421 *ibid.*, p. 13.

422 Submission 14, Indonesia Institute, p. 8.

423 Submission 19, Curtin University, p. 7.

424 Submission 23, Department of Jobs, Tourism, Science and Innovation, p. 30.

the committee heard that the ‘the time to start investing in the future of the relationship is today.’ Unless action is taken now, ‘both governments and businesses risk missing out.’⁴²⁵

Finding 80

The Indonesian market is not transactional—it takes time to establish interest, build relationships and obtain the necessary entry certifications before returns on investment can be expected.

Finding 81

Not only does the Indonesian market require a different engagement style than what Western Australia is familiar with, Indonesia itself has changed considerably since the onset of the COVID-19 pandemic. Engagement strategies should be revised accordingly.

Recommendation 15

That the state government develop an Indonesian engagement strategy tailored to Indonesia’s unique characteristics.

Invest and Trade WA

- 6.20 JTSI’s Invest and Trade WA plays an integral role in the state’s engagement with Indonesia. The state government launched Invest and Trade WA in 2019 to facilitate investment into WA and to assist local industries in accessing export markets. A website was launched in January 2021 to promote WA interstate and overseas, which profiles key industries and includes market outlooks for WA’s key markets, including Indonesia.
- 6.21 Invest and Trade WA coordinates the state’s trade and investment function, compiling annual trade and investment plans to set out the government’s strategies to achieve the state’s investment and trade outcomes. It has carriage of the *Asian Engagement Strategy*, as outlined above.
- 6.22 The overseas office in Jakarta, which is part of Invest and Trade WA, has dedicated staff responsible for providing intelligence to the Perth hub about trade and investment opportunities for WA’s economic development in the region. It plays a lead role in maintaining and developing trade relationships in-market and, as explained in Chapters 2 and 3, manages WA’s sister-state relationship with East Java. Both the Perth hub and the Jakarta office facilitate connections between WA businesses looking to cultivate relationships in-market and vice versa.

Servicing trade and investment requests

- 6.23 As part of the 2017 reforms of the state’s investment and trade network,⁴²⁶ JTSI has focused its efforts on ensuring that the work of Invest and Trade WA and the overseas trade and investment offices align with the state government’s diversification agenda. This includes annual public reporting against the overarching economic development framework for the

425 Submission 15, Asialink Business, p. 2.

426 Economics and Industry Standing Committee, *Intergenerational challenges and opportunities for the Western Australian economy to 2041*, Parliament of Western Australia, 2022, Chapter 7, Appendix One.

state, *Diversify WA*. Reporting also occurs against the annual *Western Australian Investment and Trade Plan*, which sets out current priority initiatives for engaging with Indonesia.⁴²⁷ This plan combines the work of JTSI and other state government agencies, along with input from the overseas office. As JTSI told us:

We are ensuring that the focus is not just about what the state obviously has to offer but what markets are seeking, both from research, whether it be looking at what is happening in each of the markets but on-the-ground intel, but also working with industry and our partners in DFAT and Austrade. That annual plan gives us an annual focus.⁴²⁸

6.24 A greater focus on measuring outcomes has been implemented across the overseas office network. This entails what JTSI described as ‘more robust performance agreements, certainly with the [trade] commissioners, and a collaborative approach to ... KPIs.’⁴²⁹

6.25 Hard and soft measures for overseas offices have been implemented, including for the Jakarta office, as an attempt to benchmark and track performance. Soft measures appear to be more nuanced, such as the people-to-people relationships and the strength of relationships with key stakeholders.⁴³⁰

6.26 The hard measures are around servicing targets, tracking ‘how many qualified leads are serviced across the network.’⁴³¹ ‘Qualified’ means ‘not just picking up the phone and answering a query’; rather, servicing a WA business looking for an opportunity offshore, or, export trade servicing. JTSI support these businesses via the Invest and Trade WA Perth hub and the overseas office to find an import opportunity for that product.⁴³²

6.27 On the investment side, JTSI facilitates opportunities for overseas investors looking into WA. Invest and Trade WA facilitates the matching to those WA opportunities.⁴³³ A key point to note is that this matching of inbound investment with local businesses gets more focus than it has in the past, as JTSI explained:

One of the things I would say, the biggest change to the network since the reforms has been the balance of investment servicing. I think previously the trade commissioners were very much just that—they serviced export opportunities. Now we do a lot more work in the overseas offices to attract foreign direct investment into Western Australia.⁴³⁴

427 Ms Rebecca Brown, Director General, Department of Jobs, Tourism, Science and Innovation, *Transcript of Evidence*, 11 May 2022, p. 7.

428 *ibid.*

429 *ibid.*

430 *ibid.*

431 *ibid.*

432 *ibid.*

433 *ibid.*, pp. 7–8.

434 *ibid.*, p. 8.

There is work to be done in building awareness of Invest and Trade WA as the go-to for assistance in the Indonesian market as an enabler for trade for Western Australian businesses.

- Indonesia Institute

Increasing the profile of Invest and Trade WA

6.28 Evidence collected through the committee's online survey suggests that raising the visibility of the Invest and Trade WA office as the 'go-to' for WA businesses looking to engage with Indonesia is an ongoing challenge. Of the 22 survey responses received, over half had never heard of, or were unsure whether they had heard of, the office.⁴³⁵

6.29 This position was supported in inquiry submissions. The Indonesia Institute highlighted how important it is 'for Invest and Trade WA to promote their successes in assisting businesses in-market via social media and market updates or case studies.'⁴³⁶

6.30 While Invest and Trade WA has successful initiatives, such as the Access Asia Grants, there is a perception within some areas of the local business community that government does not have the capacity, expertise, and/or the necessary connections to assist businesses with entering the Indonesian market.⁴³⁷

Finding 82

There is a perception within some areas of the Western Australian business community that government agencies do not have the appropriate capacity, expertise and/or necessary connections to assist businesses seeking to enter the Indonesian market.

Recommendation 16

That the state government adequately resource Invest and Trade WA so that it is able to properly support businesses engaging with the Indonesian market.

Supporting the engagement strategy

Up to date and accurate trade information

6.31 The provision of readily available, current and accurate information is an important role played by the state government in engaging with foreign markets.

6.32 The Indonesia Institute recommends commissioning 'an external annual report that shows emerging markets and growth for WA businesses into Indonesia aligned to the IA-CEPA.' It recommends identifying these opportunities early, so that WA 'is on the front foot and not reactive.'⁴³⁸

435 Economics and Industry Standing Committee, *Inquiry into the Western Australia - Indonesia relationship survey*, 2023.

436 Submission 14, Indonesia Institute, p. 4.

437 *ibid.*; Economics and Industry Standing Committee, *Inquiry into the Western Australia - Indonesia relationship survey*, 2023.

438 Submission 14, Indonesia Institute, p. 9.

- 6.33 The Chamber of Minerals and Energy of Western Australia (CME WA) said the state government, through Invest and Trade WA, should continue to develop a central resource that provides a ‘single source of truth’ on the Indonesian market and government policy settings. The CME WA suggested that information about the implementation of expatriate work visas, for example, would be a useful piece of information to include.⁴³⁹
- 6.34 Similarly, Fremantle Ports suggested that ‘there would be benefit in protocols being established between government departments to ensure that Indonesian and Australian stakeholders have the best and most accurate trade related information available to assist in their decision-making processes.’⁴⁴⁰

Finding 83

The provision of readily available, current and accurate information is an important role played by the state government in engaging with foreign markets. There is scope to improve the information provided about the Indonesian market.

Recommendation 17

In developing its Indonesia engagement strategy, the state government should give careful consideration to how useful, accurate and timely information that is relevant to the Western Australia-Indonesia trade relationship can be more effectively collected and disseminated by Invest and Trade Western Australia.

Wider consultation with industry and the diaspora is needed

- 6.35 The committee heard that while the current state government focus on Indonesia is welcomed and should be maintained, wider consultation with relevant stakeholders is necessary to inform the ongoing engagement strategy.
- 6.36 Relevant business councils, chambers of commerce, sectoral groups and businesses, particularly those within the Indonesian diaspora here in WA, could advise the state government on opportunities and industry needs in relation to the Indonesian market.
- 6.37 The Indonesian Diaspora Business Council suggested that the government employ tools such as surveys of potential WA–Indonesia businesses, as well as targeted interviews, to provide information that government, industry organisations and businesses could use. It also suggested focused roundtable discussions between businesses, government and industry experts to discuss and refine opportunities and areas of need. The Council calls for better communication between government and industry, to identify and fund the areas of greatest need for prospective Indonesian-WA engaged business.⁴⁴¹

The Western Australian Government must better understand what business opportunities business sees, and what business sees as the impediments and risks to doing business.

- Indonesian Diaspora Business Council

439 Submission 22, Chamber of Minerals and Energy of Western Australia, pp. 3, 4.

440 Submission 24, Fremantle Ports, p. 5.

441 Submission 11, Indonesian Diaspora Business Council, p. 4.

- 6.38 Indonesian business people in Australia comprise an under-valued and underutilised segment of the community. Evidence shows that this cohort struggles ‘to expand and grow beyond the diaspora network.’ Asialink Business has been working with Indonesian businesses to connect them to broader Australian business networks.⁴⁴²
- 6.39 The Indonesia Institute argued that the state government’s Indonesia engagement strategy should be more ‘influenced by input from the business community on leading indicators and opportunities within the Indonesian market’ preferably through an ‘advisory board model.’ It said:
- There are highly experienced Western Australian business people who can be brought together to form an advisory board for Indonesia for ITWA [Invest and Trade WA]. It should also be noted that some of the Indonesian diaspora are quite influential business leaders that could be engaged to assist in raising WA’s profile and influencing trade strategy.⁴⁴³
- 6.40 The Asian Business Council of WA recommended that the state government work with relevant Indonesian organisations such as the AIBC when looking ‘for further investment and creative initiatives to connect the people and businesses in both countries.’⁴⁴⁴

Finding 84

Relevant business councils, chambers of commerce, sectoral groups and businesses, particularly those within the Indonesian diaspora here in Western Australia, could advise the state government on opportunities and industry needs in relation to the Indonesian market.

Recommendation 18

The state government's recent focus on the relationship with Indonesia is welcome and should be maintained. However, a strategy for long-term, sustained engagement is needed. The state government should consult widely with relevant stakeholders to develop such a strategy.

Investing in business capability and facilitating market connections

- 6.41 Some inquiry participants and survey respondents suggested that Invest and Trade WA could do more to identify and/or develop export-ready businesses for entry into the Indonesian market, and then help establish and sustain those business-to-business relationships.⁴⁴⁵ The Indonesia Institute suggested, for example, that Invest and Trade WA could draw on the existing network of federal and state government programs (such as the Entrepreneurs’ Program previously managed by the Department of Industry, Science, Energy and Resources

442 Submission 15, Asialink Business, p. 3.

443 Submission 14, Indonesia Institute, p. 26.

444 Submission 21, Asia Business Council of Western Australia, p. 2.

445 See Economics and Industry Standing Committee, *Inquiry into the Western Australia - Indonesia relationship survey*, 2023.

(Cth)) to pinpoint businesses that ‘show potential for growth and can supply into the Indonesian market at sustainable scale’.⁴⁴⁶

- 6.42 The Indonesia Institute also pointed the committee towards the trade ecosystem incubator model developed by one of its directors, Dan Batey, who has extensive business experience with the Indonesian market. The model is based around the concept of ‘hand-holding’ businesses who are ready to venture into the Indonesian market for the first time with a view to working alongside them in-market in order to provide an ‘incubated’ opportunity for success. It would include providing mentorship, business skills and cultural awareness training. The committee understands that the ecosystem incubator model has been presented to JTSI and considers that it could be a useful tool to enhance the WA–Indonesia trade relationship.⁴⁴⁷
- 6.43 Investing in WA’s business capability in the Indonesian market is key to maximising economic opportunities for the state. Asialink Business encourages the state government to look beyond a narrow concept of Asia literacy ‘and focus on building business capability by improving market and sectoral knowledge, increasing the understanding of business practices, strengthening cultural intelligence, and facilitating connections.’⁴⁴⁸ Ideally, resources and time-permitting, capacity building programs should be delivered to businesses prior to trade missions into the market, and in reverse, when Indonesian investors visit WA.⁴⁴⁹
- 6.44 Asialink Business reinforced the importance of cultivating this cultural awareness, noting that ‘unprepared and unsure business delegations and groups’ entering Asian markets pose a risk to trade relationships. This is partly because these unprepared missions ‘often fail to achieve commercial outcomes and are quick to write off a market, telling others that it’s not worth their time.’ Trade missions should be part of a larger planned initiative.⁴⁵⁰
- 6.45 The Asia business capability workshops which are part of the government’s *Asian Engagement Strategy* and which support business people in gaining Asia literacy skills, appear to be few and far between. Workshops with an Indonesia-relevant component were held in November 2020 and May 2021.
- 6.46 The committee is of the view that the government should consider whether there is capacity to provide more frequent and market-specific workshops, for both West Australian and Indonesian business people, to assist in developing cultural literacy and facilitating business-to-business connections.
- 6.47 Inquiry stakeholders also saw a need for a digital platform to facilitate, in a practical way, business-to-business connections and mutual understanding of the opportunities and challenges in each market, particularly for smaller-to-medium size business in both

446 Submission 14, Indonesia Institute, p. 7.

447 *ibid.*, pp. 8, 9; Mr Robbie Gaspar, President, Indonesia Institute, *Transcript of Evidence*, 30 November 2022, p. 9.

448 Submission 15, Asialink Business, p. 3.

449 *ibid.*

450 *ibid.*

countries. This platform ideally could, for example, provide real-time updates on opportunities for suppliers looking for a partner in the other market.⁴⁵¹

Finding 85

Investing in Western Australia's business capability in the Indonesian market is key to maximising economic opportunities for the state. There needs to be an increased focus on building business capability by improving market and sectoral knowledge, increasing the understanding of business practices, strengthening cultural intelligence, and facilitating connections.

Finding 86

Evidence suggests that unprepared and unsure business delegations and groups entering Asian markets pose a risk to trade relationships. Trade missions should be part of a larger planned initiative.

Recommendation 19

That the state government consider whether there is capacity to provide more frequent and market-specific workshops, for both West Australian and Indonesian business people, to assist in developing cultural literacy and facilitating business-to-business connections.

Finding 87

An ecosystem incubator model, such as that developed by Indonesia Institute Director, Dan Batey, could be a useful tool to guide the entry of WA businesses into the Indonesian market.

Recommendation 20

That the state government consider adopting an ecosystem incubator model to better develop export-ready businesses for entry into the Indonesian market.

A handwritten signature in blue ink, appearing to read 'P.C. Tinley', with a stylized flourish at the end.

HON P.C. TINLEY, MLA
CHAIR

⁴⁵¹ Submission 14, Indonesia Institute, p. 9; Submission 4, Consulate General of the Republic of Indonesia (Perth), p. 10.

Appendix One

Committee's functions and powers

The functions of the committee are to review and report to the Assembly on: -

- a) the outcomes and administration of the departments within the committee's portfolio responsibilities;
- b) annual reports of government departments laid on the Table of the House;
- c) the adequacy of legislation and regulations within its jurisdiction; and
- d) any matters referred to it by the Assembly including a bill, motion, petition, vote or expenditure, other financial matter, report or paper.

At the commencement of each Parliament and as often thereafter as the Speaker considers necessary, the Speaker will determine and table a schedule showing the portfolio responsibilities for each committee. Annual reports of government departments and authorities tabled in the Assembly will stand referred to the relevant committee for any inquiry the committee may make.

Whenever a committee receives or determines for itself fresh or amended terms of reference, the committee will forward them to each standing and select committee of the Assembly and Joint Committee of the Assembly and Council. The Speaker will announce them to the Assembly at the next opportunity and arrange for them to be placed on the notice boards of the Assembly.

Appendix Two

Inquiry process

In accordance with its functions and powers (see Appendix 1), the Economics and Industry Standing Committee notified the Speaker of the Legislative Assembly of its intention to undertake an inquiry into Western Australia's bilateral trade relationship with the Republic of Indonesia on 23 June 2022.

The committee called for submissions using social media platforms and one newspaper, with posts or advertisements appearing:

- on the Legislative Assembly's Twitter page on 27 June 2022
- on the Parliament of Western Australia's Facebook page on 28 June 2022
- in *The West Australian* on 2 July 2022.

Twenty-four submissions and one supplementary submission were subsequently received (see list at Appendix 3).

During the initial stages of the inquiry, the committee decided to conduct an online survey to gather evidence about the interaction between WA businesses and Indonesia. A total of 23 responses were received between September 2022 and August 2023, with participants answering a range of questions about their experiences and opinions regarding the WA–Indonesia trade relationship.

On 21 October 2022 committee member David Scaife, accompanied by the committee secretariat, attended the Indonesia Connect event hosted by the Department of Jobs, Tourism, Science and Innovation along with other industry and government stakeholders such as the Australia Indonesia Business Council. The attendees participated in break-out sessions on skills for the future, advanced technology and supply chain resilience.

On 2–4 November 2022 committee members David Scaife and Emily Hamilton attended the annual Australia Indonesia Business Council Conference in Darwin. Along with other attendees, the members heard from keynote speakers such as the Hon Don Farrell, Minister for Trade and Tourism (Cth), Mr Indra Darmawan, Deputy Minister for Investment Planning (Indonesia), and M. Arsjad Rasjid P.M., Chairman of the Indonesian Chamber of Commerce and Industry. They also participated in break-out sessions on infrastructure, health and aged care, the future of work, the digital economy, agriculture and food, and tourism. The information shared during the conference ultimately contributed to this report.

On 7 December 2022 David Scaife and the committee secretariat attended the inaugural Indonesian Digital Exchange Forum hosted by the City of Cockburn. Businesses, government agencies and service support agencies from WA, Indonesia and Singapore participated, including guest speakers who attended via live stream from Indonesia. Discussions covered the blue economy and defence, health and medical areas, education and vocational training, digital and cyber security, and agribusiness.

Appendix Two

A total of 9 hearings with 19 witnesses and 3 briefings with 7 people were held in Perth (see Appendix 4). An additional 7 briefings with 26 people were held when the committee undertook investigative travel to Melbourne and Canberra between 30 January and 3 February 2023.

The committee also travelled to Indonesia from 30 April to 7 May 2023. It met with a range of stakeholders at 12 briefings in Jakarta and Surabaya, gathering evidence that informed the findings and recommendations made in this report. The committee benefited greatly from those who shared their knowledge and experience. It was ably supported in this endeavour by the Government of Western Australia Office in Jakarta, led by Director Diyas Herianti, and also by the (former) ASEAN trade and investment commissioner, Ms Krista Dunstan, and the current acting commissioner, Mr Bryce Green, who facilitated the meetings in Indonesia. The Invest and Trade WA Perth hub team also provided valuable support in preparing the committee for the travel.

Appendix Three

Submissions received

No.	Organisation
1	Export Finance Australia
2	Australia-Indonesia Institute
3	Edith Cowan University – International Office
4	Consulate General of the Republic of Indonesia (Perth)
5	Australian Export Grain Innovation Centre
6	Department of Foreign Affairs and Trade
7	Department of Mines, Industry Regulation and Safety
8	StudyPerth
9	Department of Training and Workforce Development
10	Austrade
11	Indonesian Diaspora Business Council
12	Co-operative Bulk Handling Limited
13	Murdoch University
14	Indonesia Institute
14A	Indonesia Institute
15	Asialink Business
16	Kimberley Pilbara Cattlemen's Association
17	UnionsWA Incorporated
18	Department of Primary Industries and Regional Development
19	Curtin University
20	City of Joondalup
21	Asia Business Council of WA
22	Chamber of Minerals and Energy of Western Australia
23	Department of Jobs, Tourism, Science and Innovation
24	Fremantle Ports

Appendix Four

Hearings and briefings

Public hearings*

Date	Name	Position	Organisation
11 May 2022 [hearing conducted prior to the announcement of the inquiry terms of reference]	Ms Rebecca Brown	Director General	Department of Jobs, Tourism, Science and Innovation
	Ms Simone Spencer	Deputy Director General, Strategy and International Engagement	
	Ms Nashid Chowdhury	Investment and Trade Commissioner, India–Gulf Region	
21 September 2022 [not published]	Mrs Listiana Operananta	Consul-General	Consulate General of the Republic of Indonesia (Perth)
	Ms Widya Fitri	Vice Consul	
	Mr Nanda Avalist	Consul for Economy	
23 November 2022	Ms Larissa Taylor	WA Chair	Australia Indonesia Business Council
	Mr Jonathan Gilbert	Director, Indonesia Economic and Trade Section	Department of Foreign Affairs and Trade
	Mr Richard Emerson-Elliott	Assistant Secretary, Free Trade Agreements Goods Branch	
30 November 2022	Mr Robbie Gaspar	President	Indonesia Institute
	Ms Victoria Green	Executive Corporate Affairs	City of Cockburn
	Mr Michael Faulkner	Manager Economic Development and Business Management	
6 December 2022	Mr Leigh Howard	Chief Executive Officer	Asialink Business

*In addition to the public hearings listed above, two closed hearings were conducted.

Briefings

Date	Name	Position	Organisation
31 August 2022	Mr Chris Barnes	Director, Trade Policy and International Relations	Australian Chamber of Commerce and Industry
31 January 2023 Melbourne	Ms Martine Letts	Chief Executive Officer	Asialink Group
	Mr Leigh Howard	Chief Executive Officer	Asialink Business
	Mr Robert Law	Director , Advisory and Insights	
	Ms Emily Barr	Associate Director, Stakeholder Engagement	
	Professor Frank Vetere	Deputy Dean, Engagement	Faculty of Engineering and Information Technology, University of Melbourne
	Professor Vedi Hadiz	Director, Asia Institute	
	Professor Andrew Rosser	Professor, Southeast Asian Studies	
	Ms Julie Fam	Senior Partnerships Advisor	Global Victoria
	Ms Sara Sahely	Director, Global Engagement	
	Ms Ema Lawrence	Deputy Director, Global Engagement	
	Ms Laura Burke	Regional Manager, Southeast Asia	
	Ms Violeta Krstic	Advisor	
2 February 2023 Canberra	His Excellency Dr Siswo Pramono	Ambassador of Indonesia	Embassy of the Republic of Indonesia (Australia)
3 February 2023 Canberra	Mr Ken Gordon	Senior Trade Advisor	Office of the Senator the Hon Don Farrell, Minister for Trade and Tourism
	Mr Richard Brooks	Senior Advisor	
	Mr Andrew Hutchinson	General Manager, Critical Minerals Office	Department of Industry, Science and Resources and Department of Foreign Affairs and Trade
	Ms Jessica Williams	Assistant Manager, Trade Policy	
	Five additional attendees		
	Ms Sally Deane	Senior Trade and Investment Commissioner for Indonesia	Austrade
	Mr Damian White	Head of Policy	
	Ms Alexandra Borthwick	Senior Advisor	
	Mr Kevin Hoang	Advisor	

29 March 2023	Mr Daniel Batey	Director	Indonesia Institute
	Mr Hendro Fujiono	Director	
1 May 2023 Jakarta, Indonesia	Mr Bernardino Vega	Vice Chairman	Indonesian Chamber of Commerce and Industry (KADIN)
	Mr George Iwan Marantika	National President	Indonesia Australia Business Council (IABC)
2 May 2023 Jakarta, Indonesia	Ms Christine Groeger	First Secretary, Australian Embassy, Jakarta	Department of Foreign Affairs and Trade
	Ms Sally Deane	Senior Trade and Investment Commissioner for Indonesia	Austrade
	Mr Stephen Scott	Minister & Deputy Head of Mission	Australian Embassy Jakarta
	Mr Rod Commerford	Trade and Investment Commissioner Jakarta	Austrade
	Ms Diyas Herianti	Director	Government of Western Australia Trade and Investment Office in Jakarta
	Ms Candini Candanila	Business Development Manager	
	Mr Sandy Yudhistira	Education Business Development Manager	
	Ms Donna Rudiane	Office Manager	
3 May 2023 Jakarta, Indonesia	Mr Dany Amrul Ichdan and colleagues	Vice President Director	Mining Industry Indonesia (MIND ID)
	Ms Ratih Dewihandajani Amri and colleagues	SVP, Indonesia Mining & Minerals Research Institute (IMMRI)	
	Mr Garry Johnson and colleagues	Chief Executive Officer	Steel Blue
	Dr Nugroho Adi Sasongko and colleagues	Director	National Research and Innovation Agency of the Republic of Indonesia (BRIN)
4 May 2023 Surabaya, Indonesia	Ms Fiona Hoggart	Consul-General, Surabaya	Department of Foreign Affairs and Trade
	Ms Lauren Adams	Trade and Investment Commissioner, Surabaya	Austrade
	Mr Randy Nangoy	Director	PT. Caterlindo / Simply Stainless
	Ms Lita Hudianto	Sales Deputy Director	PT. Steel Pipe Industry of Indonesia
	Mr Azrul Ananda	President	Persebaya Surabaya
	Mr Peter Sheehan	Investment Manager	InvestOz

Appendix Four

5 May 2023 Surabaya, Indonesia	Dr Didik Chusnul Yakin and colleagues	Head of Bureau of Government and Regional Autonomy	East Java Provincial Government
	Dr Evi Eliyanah and colleagues	Associate Professor and Director, Office of International Affairs (OIA)	Universitas Negeri Malang (UM)
	K.R.A.T. David Santoso K.R.	Chief Executive Officer	Singhasari Special Economic Zone
24 May 2023	His Excellency Dr Siswo Pramono	Indonesian Ambassador to Australia	Embassy of the Republic of Indonesia (Australia)
	Mr George Iwan Marantika	National President	Indonesia-Australia Business Council
	Mrs Listiana Operananta	Consul-General	Consulate General of the Republic of Indonesia (Perth)
	Mr Saribua Siahaan	Director of Investment Promotion for Southeast Asia, Australia, New Zealand and Pacific	Ministry of Investment

Appendix Five

Acronyms

AANZFTA	ASEAN-Australia-New Zealand Free Trade Agreement
ACCI	Australian Chamber of Commerce and Industry
ACICIS	Australian Consortium for In-Country Indonesian Studies
AEGIC	Australian Export Grains Innovation Centre
AIBC	Australia Indonesia Business Council
AIM WA	Australian Institute of Management WA
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
AUD	Australian dollar
BPOM	Badan Pengawas Obat dan Makanan – Indonesian Food and Drug Authority
BRIN	Badan Riset dan Inovasi Nasional – Indonesian National Research and Innovation Agency
CAM	Cathode active materials
CBH	Co-operative Bulk Handling Limited
CEO	Chief Executive Officer
CME WA	Chamber of Minerals and Energy of Western Australia
CRC	Cooperative Research Centre
CSP	Comprehensive Strategic Partnership
DFAT	Department of Foreign Affairs and Trade (Cth)
DISR	Department of Industry, Science and Resources (Cth)
DPIRD	Department of Primary Industries and Regional Development (WA)
ECU	Edith Cowan University
ESDM	Kementerian Energi dan Sumber Daya Mineral – Indonesian Ministry of Energy and Mineral Resources
ESG	Environmental, social and governance
EV(s)	Electric vehicle(s)
FPA	Fremantle Port Authority
FTA	Free trade agreement
GDP	Gross domestic product
IABC	Indonesia Australia Business Council
IA-CEPA	Indonesia-Australia Comprehensive Economic Partnership
IA-CEPA ECP	Indonesia-Australia Comprehensive Economic Partnership Agreement Economic Cooperation Program
IDBC	Indonesian Diaspora Business Council
IT	Information technology

Appendix Five

ITWA	Invest and Trade WA
JTSI	Department of Jobs, Tourism, Science and Innovation (WA)
KADIN	Kamar Dagang dan Industri Indonesia – Indonesian Chamber of Commerce and Industry
LNG	Liquefied natural gas
LPDP	Indonesian Endowment Fund for Education – a unit within the Indonesian Ministry of Finance
LPG	Liquefied petroleum gas
METS	Mining equipment, technology and services
MoU	Memorandum of understanding
MSME	Micro, small and medium enterprises
NECA Australia	National Electrical Contractors Association
P-CAM	Precursor cathode active materials
QR	Quick response
QRIS	Quick response code Indonesian standard
R&D	Research and development
RCEP	Regional Comprehensive Economic Partnership Agreement
ROI	Return on investment
SEZ	Special Economic Zone
STEM	Science, Technology, Engineering and Mathematics
TRQ	Tariff rate quota
TVET	Technical and vocational education and training
USD	United States dollar
VET	Vocational education and training
WA	Western Australia

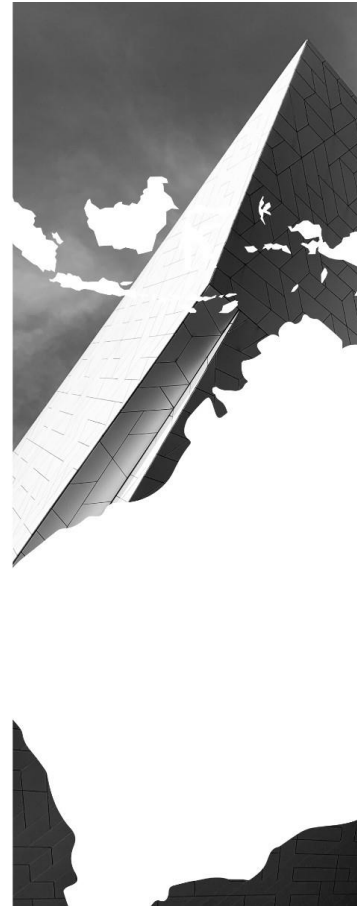
Appendix Six

Time for Change: Visa reform for Indonesian visitors to Australia

Position Paper by the Indonesia Institute, March 2023

Time for Change: Visa Reform for Indonesian Visitors to Australia

Position paper on the immediate need for visa reform to drive enhanced social, political, trade and cultural relationships with Australia's closest neighbour.



INDONESIA
INSTITUTE

MARCH 2023

About Us

The Indonesia Institute is a Western Australian based NGO (Non-Government Organisation) that was founded in November 2010 by Ross B. Taylor AM, a former WA Commissioner to Indonesia and past National Vice President of the Australia-Indonesia Business Council.

Our institute has adopted the following core objectives to:

- Improve Indonesian – Australian relations at social, business, cultural and political levels.*
- Act as a think tank, to identify and communicate key insights into the issues affecting the Indonesia – Australia relationship.*
- Promote cultural, social, & community activities between Indonesia and Australia, and build trade and commercial links and opportunities.*
- Lobby governments in Indonesia and Australia on matters relating to bilateral relations.*
- Act as a commentator or respected voice on issues relating to Indonesian – Australian relations.*
- Facilitate linkages between people and organisations in Indonesia and Australia.*
- Assist sustainable “sister-state” relationships between Indonesian Provinces and Australian States and Territories.*
- Develop and maintain close relations with the Indonesian Ambassador, the Embassy, Indonesian Consul-Generals and Consulate Offices wherever possible.*
- Provide Indonesia and Indonesians with a voice in Australia to generate an improved understanding of Indonesia.*

We are active in promoting Indonesia-Australia relations both in our home state, throughout Australia and in Indonesia. We have strong and extensive linkages with like-minded organisations in Indonesia and also work closely with other Indonesia-Australia organisations such as the Australia Indonesia Business Council (AIBC), the Australia-Indonesia Youth Association (AIYA), Indonesian Consul-General in Perth, WA, ICCWA, the Australia Indonesia

Association, the Australia Indonesia Centre, Balai Bahasa Indonesia Perth, the Australia Indonesia Institute DFAT, ACICIS and the Chamber of Commerce and Industry.

Current Directors: <https://indonesia-institute.org.au/our-team/>

Introduction:

This paper outlines how current visa requirements for Indonesians impede tourism, family visits, business and trade between Australia and Indonesia, and recommends solutions.

Current Situation:

Indonesia is Australia's closest neighbour, a stable democracy, and is critical to Australia's future – it will overtake the Australian economy in market value by 2030. But efforts to build trade and investment ties with this enormous and growing economy are undermined by Australia's visa regime.

Indonesian visa applicants are placed in a higher risk category than smaller ASEAN economies (for example Malaysia and Singapore). This higher threshold will have – long term, serious negative repercussions for Australia: we will not be able to maximise the intent of the IA-CEPA, build trust levels between our two countries, or drive social, political, economic and education ties.

Within this document, we acknowledge that within the visa system, risk management still needs to be built into the processes to ensure Australia is attracting genuine tourism, business, education and family visitors to Australia. However, in light of the IA-CEPA, it is time to reassess how we manage applicants from Indonesia.

Specific problems include:

- **Visa backlog:** currently over 600,000 visas still to be processed (some pending 12 months or longer), with no clarity on when visas will be decided, even though the Australian Government has taken application fees. The Indonesia Institute is aware of specific cases where repeat Indonesian tourists with direct family in Australia have been approved; however others they are travelling with are still waiting for an answer, leaving the group unable to travel.
- **Visa processing times:** We are aware of cases of high net-worth Indonesian families who studied in Australia and were

regular travellers to Australia, choosing to go to Europe instead, as their Australian visa was approved too late for their intended travel dates.

- **Negative perceptions:** Visa delays have a negative economic impact and fuel a negative perception of Australia in Indonesia. These examples highlight that the visa system is not fit for purpose between Australia and Indonesia.
- **Lost tourism:** Indonesia's middle class has been growing faster than any other group and accounts for 52 million Indonesians (World Bank, 2020). In 2019, over 9.1 million Indonesians travelled abroad, and Australia only received 2.16% of those tourists (based on Tourism Australia's performance numbers).

Why Australia Needs to Change the Approach to Visas for Indonesians:

Traditionally Australia has put Indonesian travellers into a high-risk category. But we need to recognise that Indonesia has changed – it's a powerhouse economy of the future (hitting top 4 globally by 2050), with a growing middle class who have discretionary spending, are educated, in stable employment and have no intention of staying in Australia longer term.

Similar to Australia, the Indonesian middle class want to travel regularly as part of their lifestyle. Australia is on its doorstep; however, we make it extremely challenging from a cost and application process for travellers to enter the country. This is in stark contrast to the government's aspirations to grow trade, investment and tourism out of Indonesia into Australia. Trade and tourism promotional campaign success can only be judged by an increase in visitor numbers into Australia, and if there are barriers to visas, it is pointless to spend taxpayer money on these campaigns.

Reform options:

As part of any visa reform for Indonesia, it is essential to look at which

streams of visitors pose the least risk, have genuine reasons for visits to Australia and should be encouraged to visit: family visitors, regular tourists and those who have previously studied in Australia and have long term connections.

We should examine how other developed countries treat Indonesia. At the very least, we should treat Indonesian visa applicants on a similar basis to applicants from Malaysia, Brunei or Singapore, which has a streamlined application process and a \$20 visa fee vs the \$150 fee for Indonesians and 16 pages of questions on a PDF document, some inappropriate, culturally insensitive or outdated. One model to compare and investigate would be the visa-free application with Japan, given that it is a developed economy, not dissimilar to Australia.

(https://www.mofa.go.jp/press/release/press4e_000498.html).

Recommendations:

1. Guaranteed refunds for current applicants who wish to withdraw visa applications, in light of enormous delays
2. Create a transparent visa application system with online self-monitoring of the process
3. Commission a report into the latest technology that can fast-track visa applications and expedite repeat visa applicants using AI/predictive analytics.
4. Cheaper visa application fees for Indonesians and faster processing times commensurate with community expectations (eg. Canada's processing times are approximately 2 weeks).
 - a. At a minimum, processing times for Indonesian applications should be in line with neighbours like Brunei, Malaysia and Singapore.
 - b. As part of the review, Home Affairs should examine visa application processes in countries that have the highest number of Indonesian visitors; Singapore, Malaysia, Thailand and Japan.

5. Online visa applications with fast-track for applicants who:
 - a. Have family connections to Australia.
 - b. Have travelled multiple times as tourists to Australia with no breach of visa requirements.
 - c. Indonesian tourist visa applications from individuals who have studied in Australia.
 - d. Indonesian business visitors who meet minimum requirements and are travelling to Australia for business purposes either independently or in conjunction with a trade mission, business event or conference.
6. Create an advisory committee on visas for Indonesian visitors to Australia. Indonesia Institute would like to be part of this type of initiative to support and influence a better model for Australia.

Summary

The future of the Indonesia-Australia trade, tourism and business relationship is highly dependent on the ease of travel. We require a significant change in our mindset from seeking a transactional relationship with Indonesia to building long-term partnerships that will allow the strengths of both nations to be used to develop a win-win outcome. This will only be achieved if Australians and Indonesians get to know each other better and more deeply. A transactional approach may work for some countries, but not with Indonesia.

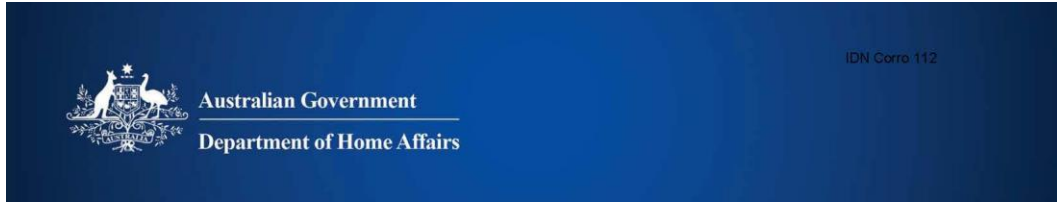
We urge immediate and far-sighted reforms, as recommended, to be adopted as a matter of priority.

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Appendix Seven

Department of Home Affairs' letter, 21 April 2023

Replying to questions posed by the Economics and Industry Standing Committee in response to issues raised in Indonesia Institute's position paper (Appendix 6)



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Economics and Industry Standing Committee

Inquiry into Western Australia's trade relationship with the Republic of Indonesia

Response

Is it the case that Indonesian visa applicants are placed in a higher risk category than other ASEAN countries such as Malaysia and Singapore? As part of your response please provide information about the current visa requirements for Indonesians compared to other Asian countries.

Australia operates a universal, non-discriminatory visa system, which focuses on the contribution a person can make to Australia rather than their ethnicity, gender or religious beliefs. Australia enjoys high levels of social cohesion and broad public support for its Immigration Program. This is, in part, based on confidence in well-managed and non-discriminatory migration.

Under Australia's universal visa system, all visitors to Australia must have a valid visa to travel to and enter Australia. Visa applicants must satisfy all criteria for the grant of a visa as set out in Australian migration law.

Indonesian passport holders can apply for the Visitor (subclass 600) visa. The application process is available online. This same product is the main Visitor visa product used by most passport holders from South East Asia including Thailand, Philippines and Vietnam and much of the rest of the world.

A smaller cohort of holders of eligible passports are eligible for the Electronic Travel Authority (ETA) (subclass 601). The ETA was established in 1996 as the first step into electronic visas and no new countries have been added to the program since 2001. The reference in the question may go to eligibility for this product. Both Malaysian and Singaporean passport holders have been part of the ETA program since before 2001, however Indonesian passport holders are not and are instead eligible for the subclass 600 visitor visa.

The subclass 600 product offers greater flexibility in terms of stay and visa validity compared to the ETA. The online visa lodgement platform which Indonesian passport holders can access provides an enhanced client service experience that enables visa applicants to apply at a time and place that is convenient to them. Applicants do not need to visit an Australian Embassy to lodge a visa application. The online platform also allows clients to check the status of their visa and update their details virtually.

OFFICIAL

OFFICIAL**Are the reforms suggested by the Indonesia Institute being considered as part of the current review of the migration system, or in any other forum?**

On 2 September 2022,¹ the Minister for Home Affairs, the Hon. Clare O'Neil MP, announced a comprehensive review of the purpose, structure and objectives of Australia's migration system to ensure it meets the challenges of the coming decades. Three independent Reviewers were engaged and they have finalised their review of Australia's migration system and the final report was provided to Government on 21 March 2023. The report captures insights, analysis, international comparisons and ideas, many of which have been presented by stakeholders through written submissions and targeted consultations. It suggests a number of reform directions that are being considered by Government, which will make further announcements regarding reform directions in due course.

Updated figures on visa numbers and processing times

The Australian Government announced additional resources for visa processing staff at the Jobs and Skills Summit on 1-2 September 2022 and committed to work to clear visa backlogs. Since that time, considerable progress has been made:

- On-hand applications are now 40 per cent lower than the nearly 1 million on-hand in June 2022.
- There has been nearly a 70 percent reduction in the on-hand temporary visa caseload.
- The Department of Home Affairs has finalised 6.15 million temporary and migration visa applications since 1 July 2022.
 - This is an increase of nearly 290.5 per cent compared to same period in 2021-22.
- These 6.15 million finalisations include just over 3,196,000 visitor, 511,000 student, and 81,000 temporary skilled visa applications.
- Visa processing times have improved in key temporary visa programs.
 - Since July 2022, median processing times for Visitor visas for Indonesian citizens have reduced from 53 days to 11 days in March 2023.

¹ [Jobs and Skills Summit - A migration system for Australia's future \(homeaffairs.gov.au\)](https://www.homeaffairs.gov.au/jobs-skills-summit)



Parliament House
4 Harvest Terrace, West Perth WA 6005
Telephone: +61 8 9222 7222
Email: laco@parliament.wa.gov.au
Website: www.parliament.wa.gov.au