

Department of Education and Training submission to the Joint Standing Committee on Trade and Investment Growth

The Department of Education and Training (the department) welcomes the opportunity to contribute to the Inquiry into Australia's trade and investment relationship with Indonesia.

Role of the department in the relationship with Indonesia

The department is responsible for the education and training relationship with the Government of Indonesia. It provides national leadership on the education and training relationship and recognises the international education strategies of each Australian state and territory and their particular interests in Indonesia. The department works closely with the Department of Foreign Affairs and Trade (DFAT) and the Australian Trade and Investment Commission (Austrade) to ensure a whole-of-government approach to advancing Australia's education and training relationship with Indonesia.

National Strategy for International Education 2025

The department's engagement with Indonesia is guided by the Australian Government's *National Strategy for International Education 2025* (the National Strategy), released in April 2016. The National Strategy provides a framework of priorities for everyone engaged with international education to sustainably grow the sector over the coming decade, and is supported by Austrade's market development roadmap – *Australian International Education 2025* (AIE2025).

The Government has allocated \$12 million of funding over four years to support implementation of the National Strategy. Funding will be allocated to deliver activities under priority themes as agreed by the Council for International Education. The Council membership includes Australian Government ministers with portfolio responsibilities relating to international education, as well as experienced experts and practitioners in international education.

Government-to-government engagement with Indonesia

The department has productive relationships with several counterpart ministries in Indonesia, including the Ministry of Education and Culture, the Ministry of Research, Technology and Higher Education, and the Ministry of Manpower. It maintains a Counsellor (Education and Science) at the Australian Embassy in Jakarta to encourage Indonesia to look to Australia as its partner of choice in education and training.

The bilateral education and training relationship is underpinned by a Memorandum of Understanding (MoU) signed by both governments in 2014, that covers cooperation at all levels of education. It is broadly similar to Australia's MoUs on education with other countries in scope and content, and while non-legally binding, it signals the commitment to cooperation by both countries. The department understands Indonesia has similar MoU commitments with other governments which provide for bilateral cooperation, but is not privy to the details of those commitments.

Australia–Indonesia Joint Working Group meetings on education and training set the direction for government-to-government cooperation under the MoU. These meetings deepen Australia's structured engagement with Indonesia, providing an opportunity to discuss developments and challenges in key policy areas of education and training in both countries, and to identify and agree on priorities for future collaboration. Recent Joint Working Group meetings in November 2016 demonstrated the shared commitment to the relationship, with both parties agreeing to work together across a range of areas including curriculum development, improving teacher quality, vocational education and training (VET) in schools, student and academic mobility, quality assurance, qualifications recognition and improving industry engagement in VET.

Importance of the relationship

Education-related personal travel is Australia's third largest export after iron ore (\$47.8 billion) and coal (\$34.4 billion), and Australia's largest services export (29.1 per cent of total services exports).¹ Australia's education exports reached a record \$21.8 billion in 2016 – up 17 per cent on 2015.² There were 551,516 international students in Australia between January and November 2016,³ an 11 per cent increase in international students compared to the same period in 2015.⁴

Beyond its strategic importance to Australia, Indonesia's young and growing population (about 60 per cent of the total population, 257.5 million, was aged below 35 in 2015),⁵ geographic proximity and the strong growth trajectory of its economy makes it a key market to develop for growing Australian education and training exports.

Education is Australia's largest services export to Indonesia, valued at \$619 million in the 2015-16 financial year, a 3.7 per cent increase on the \$597 million in the previous financial year.⁶ Indonesian student mobility to Australia is the bedrock of this trade.

Indonesia is the ninth largest source market for international students in Australia, behind China, India, Malaysia, Vietnam, South Korea, Brazil, Thailand and Nepal. A total of 14,743 Indonesian students were recorded in Australia from January-November 2016, which represents a 4.3 per cent increase compared with the same period in 2015.⁷ The growth in Indonesian students is relatively modest in the context of double digit growth in the sizable international student base from other top source countries, most notably China and India. In the period of January to November 2016, about 157,000 Chinese students and about 60,000 Indian students were studying in Australia, a respective increase of 15.5 per cent and 12.1 per cent compared to the same period in 2015.⁸

Student mobility between Australia and Indonesia is underpinned by a long history of institutional partnerships, including the Australian Consortium for 'In-Country' Indonesian Studies (ACICIS), a group of Australian universities that provide study options in Indonesia for Australian students. More than half of Australia's universities have representatives based in Indonesia, with a focus on student engagement and education cooperation. Overall, Universities Australia reported 313 institutional partnerships with Indonesia in 2016, some dating back over 20 years, and almost three-quarters of these agreements provide for research collaboration.

Current and emerging trends

Indonesian students in Australia⁹

Since 2014, the actual number of Indonesians studying in Australia has been growing at an average annual growth rate of 3.5 per cent. The department's data on enrolments echoes this trend of recent growth. There were 19,645 Indonesian enrolments in Australia from January to November

¹ Australian Bureau of Statistics, 5368.0.55.003: *International Trade in Services, by Country, by State and by Detailed Services Category, Financial Year, 2015-16*, released 18 November 2016.

² Australian Bureau of Statistics, 5368.0: *International Trade in Goods and Services, Australia*, Dec 2016, released 2 February 2017.

³ January-November 2016 is the latest departmental data available. Full 2016 data is forthcoming.

⁴ Figure represents actual students, and is sourced from publicly available visa data from the Department of Immigration and Border Protection, November 2016.

⁵ World Bank (2015), Health, Nutrition and Population Statistics.

⁶ Australian Bureau of Statistics, *International Trade in Services, by Country, by State and by Detailed Services Category, Financial Year, 2015-16*, *op.cit.*

⁷ Actual students, *op.cit.*

⁸ *ibid.*

⁹ All actual student data in this section is sourced from the Department of Immigration and Border Protection visa data. All enrolments data is sourced from the Department of Education and Training, November 2016 (November Year-to-date data is the latest available).

Note: Trends for at least the last five years show actual Indonesian student numbers are about 30 per cent less than the total number of enrolments in a given year. The relationship is dependent on the types of courses students pursue during the calendar year; if they do multiple short courses the enrolment count will be much higher than the student count.

2016, a 2.4 per cent increase on the same period in 2015. Within this period, higher education enrolments grew by 3.3 per cent and VET enrolments grew by 4.5 per cent.

Though growth is occurring, the number of Indonesian students in Australia has not returned to the last recorded peak in 2002 (17,617 in January to November). Furthermore, the overall growth in enrolments has been modest in recent years, with strong growth in VET enrolments offsetting flat growth in schools and English language studies (ELICOS), and declines in higher education. While the higher education sector still accounted for more than half (8,023) of all Indonesian students in Australia in 2015 (14,130), higher education enrolments have not returned to their 2002 levels.

This pattern of Indonesian enrolments in higher education in Australia broadly reflects trends in the total number of Indonesians studying higher education abroad. After a notable decline between 2003 and 2006, the number of Indonesians studying higher education abroad has remained relatively stable, ranging between 34,000 and 37,500 a year since 2007.¹⁰ This is seen in Australia maintaining about 25 per cent market share of internationally mobile Indonesian higher education students since 2007.¹¹

Indonesian higher education enrolments are strongly correlated to currency fluctuations. Internal analysis of Indonesian enrolments in Australia (2002-2015) shows a weakening Indonesian Rupiah corresponds with lower enrolments, and suggests an enrolment lag between a strengthening Rupiah and a rise in student numbers of between one to three years.

Importantly, data from Australia's latest *International Student Survey* (2014) reveals that Indonesian higher education students in Australia are generally satisfied with their experience. In 2014, 90.5 per cent of Indonesian higher education students in Australia reported satisfaction with their overall experience, including learning and living. This is higher than the average rate of overall satisfaction reported by other nationalities (87.6 per cent).¹²

Like most international students, Indonesians are concentrated in metropolitan New South Wales and Victoria. New South Wales hosts the majority of Indonesian student enrolments across all sectors (57 per cent), followed by Victoria (28 per cent), Western Australia (7 per cent), Queensland (5 per cent), South Australia (2 per cent), the Australian Capital Territory (1 per cent) and the Northern Territory (1 per cent).¹³ In the VET sector, about four out of five Indonesian students study in New South Wales, most at private registered training organisations in Sydney.

Overall, the growth outlook for Indonesia is positive, and there are notable opportunities for deepening and developing links in education services.

Competition

Australia is the third most popular destination country for international students overall, behind the United States and the United Kingdom. However, these top destinations will vary by country. Reasons for Australia's overall popularity include, among others, the high quality of our education and training system, English as the national language, the international standing of our institutions, and opportunities to work while studying.

As Indonesia seeks to reform its VET sector it is looking abroad to other countries' systems, including to Australia and Germany. Australia's recognition of prior learning and flexibility of delivery are comparative strengths to the German VET model. The Australian VET system supports on-the-job skill development and recognition of prior learning for workers who may have developed skills in the workplace rather than through formal training. This is particularly important in countries with a large informal workforce, like Indonesia. In addition, the flexibility of the Australian system enables

¹⁰ UNESCO Institute for Statistics (2015), *Total outbound internationally mobile tertiary students studying abroad, all countries, both sexes (number)*. Data extracted on 9 February 2017 from UIS.Stat.

¹¹ *ibid.*

¹² Australian Government (2014), *International Student Survey 2014*. 2016 Survey results are forthcoming.

¹³ Percentages rounded to the nearest integer.

individuals to complete full qualifications or individual units of competency as required for meeting specific industry, local or individual needs.

Australia also faces increasing competition in the region from competitor markets, including Singapore and Malaysia.¹⁴ While Indonesian students increasingly look to Singapore and Malaysia, this trend suggests opportunities for Australian higher education providers offshore. There were over 11,000 Indonesian students studying Australian higher education courses in 2015, and 2,300 (nearly 20 per cent) were studying those courses at offshore campuses. Nine out of ten of Indonesian enrolments at Australian higher education providers offshore were in Singapore and Malaysia.¹⁵

Opportunities for deepening and developing links

Australia is currently the 'number one' destination for Indonesian students studying abroad. Australia is therefore well placed to expand its delivery of education and training services to Indonesia.

Scholarships

Scholarship programs provide an opportunity to support increased mobility, and thereby deepen people-to-people links between Australia and Indonesia.

The department supports increased two-way mobility of students, researchers, academics and professionals through the Australia Awards – Endeavour Scholarships and Fellowships, and Mobility Grants. From 2007-17, 210 Indonesians accepted an Endeavour Scholarship or Fellowship to undertake study, research or professional development in Australia. Over this same period, 94 Australians accepted an Endeavour Scholarship or Fellowship to travel to Indonesia. Under Endeavour Mobility Grants, 121 Australians will undertake an overseas study experience in Indonesia this year.¹⁶

The department further supports Australian student mobility to Indonesia through the New Colombo Plan (NCP), which offers scholarships and mobility grants to Australian undergraduate students to undertake study and internships in the Asia-Pacific region. Indonesia is one of the most popular destinations for Australian students under the NCP. In its first four years (2014-17), the NCP is supporting over 3,000 Australian undergraduates to study and undertake work-based experiences in Indonesia.¹⁷

Alumni engagement

Australia is fortunate to have many influential alumni, including those of the Australia Awards – Endeavour program and the NCP, as a result of our longstanding commitment to international cooperation. This builds on the success of the original Colombo Plan, launched in 1951, which brought a generation of students from Asia to study at Australian institutions. Building lasting connections with these alumni is an important goal of the *National Strategy for International Education 2025*, and is led by DFAT's *Global Alumni Engagement Strategy*.

Alumni are also a key element of Austrade's strategy for the international marketing and promotion of Australian education and training, including in Indonesia. Alumni are profiled through Austrade marketing channels including the 'Study in Australia' website and Facebook, Twitter, YouTube, and the Australian Embassy in Indonesia Facebook account. Austrade profiles Indonesian alumni and ambassadors at specific events including Indonesia - Australia Business Week and the Australian Graduate Job Fair. It has also collaborated with DFAT to produce alumni videos used in marketing

¹⁴ Australian Trade and Investment Commission (September 2015), *Indonesia Student Research Competitor Analysis*, p.7.

¹⁵ Department of Education and Training (2015), Higher education data. 2015 is the latest available data for offshore enrolments.

¹⁶ Department of Education and Training (2017), Scholarships data.

¹⁷ *ibid.*

Australian education, and uses DFAT's Global Alumni portal and the Indonesia Australia Alumni LinkedIn page to promote these student stories.

The Australian Embassy in Jakarta has implemented a new *Alumni Engagement Strategy* (2016-2020) which moves beyond previous efforts to solely engage Australia Awards alumni to also include Indonesians who self-funded their study, and recipients of Indonesian Government scholarships (around 80,000 alumni). About 75 Embassy-led alumni activities were held in 2016, with over 5,000 alumni participating. Activities encompassed a mix of support for ministerial-level engagements, business missions and professional development opportunities.

Research collaboration

Australia is Indonesia's second ranked publication partner (after Japan) and Indonesia is Australia's 41st partner, with just over 1,100 co-publications in the four years between 2010-14.¹⁸ In the education and training portfolio, the Australian Research Council (ARC) provides support for joint research with Indonesia. In 2016, the ARC funded 54 new and ongoing research projects involving an Indonesian institution, with a total funding allocation of \$16 million. In 2016, Indonesia ranked 22nd in terms of the number of instances of collaboration on ARC-funded projects across several research areas including archaeology, political science and geology.

The joint research relationship has been bolstered by the Australia-Indonesia Centre (AIC), jointly funded by DFAT and the department. The Centre is estimated to have created more than 200 new researcher relationships between Australia and Indonesia in the fields of infrastructure, health, energy, agriculture and water.

Vocational education and training

VET is a particular area of promise given the demand for skilled workers in the Indonesian economy, the inadequate supply of quality education domestically, and the Indonesian Government's intention to lift the productivity of Indonesian workers. Regional developments also heighten Indonesia's attention to VET as a means to upskill its workers, including through mutual recognition arrangements to increase labour mobility in the Association of South East Asian Nations (ASEAN).

Indonesia's interest in VET is borne out in the strong growth in Indonesian VET enrolments in Australia. Since 2002, Indonesian VET enrolments have been increasing at an annual average growth rate of 6 per cent per year to 2016. Furthermore, one half (49 per cent) of all Indonesian commencements at Australian institutions are in VET, mostly in higher level qualifications (certificate IV up to advanced diploma) in management and commerce.¹⁹

There are opportunities for Australia to leverage this surge of interest in VET in Indonesia and position itself as a partner of choice by:

- Supporting increased government-to-government policy dialogue that promotes greater links between skills development systems, industry and employers (including Australian employers), thereby increasing industry relevance of the training delivered to better meet the needs of the Indonesian labour market.
- New models of VET delivery to meet the increased demand for industry-led skills development.
- Opening up access and opportunity for Australian registered training organisations to operate in Indonesia.

¹⁸ InCites 2010-2014 data.

¹⁹ Enrolments and commencements data sourced from the Department of Education and Training, November 2016. [Commencements](#) only count *new* enrolments in a discrete course of study.

Transnational education

The Indonesian Government's current policy for transnational education takes the form of encouraging dual-degree programs within established comprehensive public and private universities. This allows students to commence their studies in Indonesia then continue at an overseas partner university, resulting in the granting of two equivalent degrees: one from the Indonesian university and the other from the overseas partner for the single programs undertaken. A number of Australian higher education providers have partnership arrangements with Indonesian universities to provide such pathways to study in Australia.

Opportunities in transnational education also includes those in online and blended delivery that could provide high quality, accessible education for students in remote parts of the Indonesian archipelago. The Australian government is working with Indonesia and other APEC economies to help build understanding and acceptance of high quality online learning in the region. This includes working with Australia's Tertiary Education Quality Standards Agency to develop a 'Toolkit' which Indonesia and other APEC economies can use for quality assuring online education.

Qualifications recognition

The department is also working to pursue Indonesian recognition of Australian qualifications. Indonesia currently considers Australia's three-year bachelor as equivalent to a diploma, which could cause difficulties for Australian graduates who seek to pursue further study or government employment in Indonesia.

At the latest Joint Working Group with the Indonesian Ministry of Research, Technology and Higher Education in November 2016, the Ministry agreed to work with the department on qualifications recognition, including recognising Australia's three-year bachelor degrees as equivalent to Indonesia's bachelor degrees. Trade negotiations and Indonesia's ratification of the UNESCO Regional Convention on Qualification Frameworks (Tokyo Convention) are avenues to resolve the issue of non-recognition of Australian qualifications.

Barriers and impediments to the relationship

Despite the length and depth of our bilateral education relationship, the great demand for education and training in Indonesia, and genuine potential for mutual benefit, barriers remain to expanding Australian education exports to Indonesia. Many of the barriers to education and training trade with Indonesia are not unique and are common to other countries in South East Asia, as education remains one of the least liberalised sectors for trade in the region.

Unlike in Singapore and Malaysia, no Australian higher education provider is able to operate a stand-alone campus in Indonesia. Australian education and training providers face a host of barriers in prohibitive laws and regulations that undermine the value proposition of investing in Indonesia to deliver their services. The Indonesian VET system is complex with numerous ministries setting regulation, and there are relatively few existing or previous collaborative overseas VET programs as precedents for Australian providers to look to. Further, there are limits on the maximum level of foreign ownership allowed for VET providers. Foreign investment in the Indonesian higher education system is likewise subject to significant legal constraints and regulation, including that providers must operate in partnership with a local provider in a non-profit arrangement.

While Indonesia's non-recognition of Australian three-year bachelor degrees may impede student mobility, further barriers exist which adversely impact researcher mobility to Indonesia. All foreign researchers undertaking research activities in Indonesia must obtain an official permit from the Indonesia authority in advance. However, there is a lack of consistency in the standard rates for permits as well as notable bureaucratic delays in processing. Australian researchers in Indonesia also experience difficulties with regards to Indonesia's Material Transfer Agreement (MTA), a mandatory agreement between research parties on the transfer of materials outside of Indonesia.

Forward directions

The department supports an *Indonesia-Australia Comprehensive Economic Partnership Agreement* (IA-CEPA) that could open new market access and reduce behind-the-border barriers for Australian education and training providers so that they can help meet Indonesia's need for a skilled and educated workforce.

The IA-CEPA would complement Australia's current efforts under the *National Strategy for International Education 2025* to promote Australia as a partner of choice, increase student and researcher mobility, and deepen institutional partnerships between Australia and Indonesia. The IA-CEPA would also complement the efforts of the department to progress agreed outcomes from the Joint Working Group meetings of November 2016, including increasing Indonesian recognition of Australian qualifications, and building trust in online education through developing complementary quality assurance arrangements.

The department welcomes any further opportunities to contribute to the development of the report of the Inquiry.