



## **Parliament of Australia**

### **Parliamentary Delegation to the Republic of Indonesia**

**27 September – 1 October 2015**



**Members of the Delegation:**

Senator Chris Back (Delegation Leader)

Senator for Western Australia, Liberal Party of Australia

Senator Anne Urquhart

Senator for Tasmania, Australian Labor Party

Mr Ewen Jones MP

Member for Herbert, Liberal Party of Australia

Mr Stephen Jones MP

Member for Throsby, Australian Labor Party

**Delegation Secretary:**

Ms Sophie Dunstone, Senate Committee Office



## **Introduction**

This report outlines the key activities and observations of the Australian parliamentary delegation's visit to the Republic of Indonesia between 27 September and 1 October 2015. The overall objective of the delegation was to enhance bilateral relations between Australia and Indonesia, while also gaining a greater understanding of issues important to both Australia and Indonesia.

## **Acknowledgement**

The delegation's visit was supported by the Australian Parliament's International and Parliamentary Relations Office (IPRO) and the Department of Foreign Affairs and Trade (DFAT). During meetings and site visits the delegation was accompanied by officers of DFAT stationed in Indonesia. The professionalism, knowledge and guidance of these officers were very much appreciated. The delegation extends its particular thanks to:

- Mr Paul Grigson, Australian Ambassador to Indonesia;
- Mr Murray O'Hanlon, First Secretary (Development Cooperation);
- Ms Annelise Young, Second Secretary (Economic); and
- Mr Monty Pounder, Second Secretary (Political).

The delegation thanks all of the people with whom it met and who gave generously of their time and expertise. The delegation appreciated the many frank discussions held and views shared during its visit. Such discussions gave delegation members a greater appreciation for a number key issues such as trade and investment, education and countering violent extremism.

## **The relationship between Indonesia and Australia**

Throughout its visit the delegation was reminded of the value and importance of the relationship between Indonesia and Australia. It is a multi-faceted relationship encompassing a range of political, economic, strategic, security and development issues, highlighted by the geographic and historical closeness between the two countries.

The relationship between Indonesia and Australia has sometimes been marked by differences of opinion on contentious matters, for example the cessation of live cattle exports to Indonesia in 2011 and the execution of convicted Australian drug-traffickers Andrew Chan and Myuran Sukumaran in April 2015. While many commentators believe that these events had a chilling effect on relations between Indonesia and Australia, the delegation was pleased to hear from many Indonesians that the ability of the two countries to disagree but maintain a mature and productive relationship was considered a key strength.

Indeed, many people with whom the delegation met—including senior politicians—noted the importance of this aspect of the relationship and remarked that Indonesia

and Australia, as friends and neighbours, should continue to discuss difficult issues in a robust and respectful way as they arise in the future. The delegation agrees with and endorses this sentiment.

*Meeting with HE Mr Irman Gusman, Speaker, Regional Representatives Council of the Republic of Indonesia*



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## *Meeting with the Indonesia-Australia Parliamentary Friendship Group*



### **Trade and investment**

In 2013, Australia's two way trade with Indonesia was worth \$14.9 billion making Indonesia Australia's 12<sup>th</sup> largest trading partner. In 2013, the two way trade in goods was valued at \$11.2 billion; during the same year, Australia's major exports to Indonesia were:

- wheat (\$1.2 billion);
- sugar, molasses and honey (\$363 million);
- live animals (excluding seafood) (\$302 million);
- aluminium (\$284 million);
- crude petroleum (\$207 million); and
- cotton (\$195 million).

The two way trade in services was approximately \$3.7 billion in 2013., accounting for 44.8 per cent, while personal travel (excluding education) was the largest service import from Indonesia at 74.9 per cent.

### ***Australian businesses in Indonesia***

Australian investment in Indonesia is growing and it is estimated that more than 250 Australian companies currently have a presence in Indonesia. These businesses

operate in a wide range sectors including 38 Australian-listed companies active in more than 120 mining ventures. Other areas in which Australian businesses are active include the agribusiness, services, infrastructure, clean energy and environmental sectors.

The delegation made site visits to Thiess and Coates Hire facilities in Balikpapan where these two Australian companies run successful operations and engage with locals, particularly in training, employment and corporate social responsibility (CSR) programs. At Thiess, the committee toured the training and maintenance facilities. Each year, Thiess trains approximately 400 local men and women as apprentices in trades such as diesel mechanics and welding; at the conclusion of their training, the apprentices attain an Australian Certificate III. On some occasions, young tradespeople trained by Thiess Indonesia have had the opportunity to work alongside colleagues at Thiess in Brisbane: Thiess explained that its tradespeople trained in Balikpapan are highly-skilled and well-regarded by their Australian counterparts.

The delegation also visited Coates Hire's depot in Balikpapan, which is the major office and repair facility for Coates in Indonesia. Coates employs 160 people of which only three are ex-patriate Australians.

#### *Meeting with apprentices at Thiess Indonesia*







### *Corporate social responsibility (CSR) activities*

Both Thiess and Coates Hire engage in a range of CSR programs.

Thiess' CSR activities include programmes with schools, immunisation, and health and safety initiatives for the local community and infrastructure development to support remote projects. For example, Thiess has donated 800 computers to regional schools, hosted road safety information days and awarded educational scholarships. Its English Education Program includes English classes at local schools and training for local teachers at the Balikpapan facility.

Coates Hire's approach to CSR is to support activities in the location of its facilities. In Balikpapan, Coates Hire sponsors a range of local events and sporting teams; for example, Coates Hire is a supporter of the Borneo Bears AFL team which recently competed in the Bali Masters 2015. Coates has also sponsored lighting towers and power generators at local sporting games and the 2014 Balikpapan Expo.

### *Regulatory challenges*

During the course of the visit, the delegation heard about the complexity of the Indonesian regulatory environment and some of the regulatory challenges Australian businesses seeking to establish a presence or already operating in Indonesia encounter. These include:

- a requirement for overseas businesses operating in Indonesia to divest to a minority share;
- new business visa requirements, with increased restrictions on the types of visas issued;

- a recent directive from the Bank of Indonesia requiring all transactions to be in local currency (Indonesian Rupiah) and the subsequent impact of currency fluctuations (for example recent fluctuations of 12 per cent over four months);
- the requirement for certain equipment, parts and / or services to be manufactured in or sourced from Indonesia; and
- land acquisition.

Indonesia has also recently announced a range of policies and measures intended to increase its self-sufficiency, for example, in the production of food (rice, wheat) which have placed subsequent downward pressure on Australian exports to Indonesia.

The delegation heard repeatedly what a valuable and growing investment market Indonesia is for Australian businesses. The delegation understands that Australia is working closely with Indonesia in multilateral, global and regional fora to support global and regional trade liberalisation and economic growth, via reductions in tariffs and remedies for non-tariff barriers affecting Australian exports (such as quarantine issues and changes to Indonesia's import regulations affecting a range of products including fruit, live animals, meat products and manufactured goods). The delegation is supportive of these processes and looks forward to Indonesia and Australia reaching agreement on these issues, to the benefit of both countries.

## **Education**

There are significant ties between Indonesia and Australian in the education sector. As noted earlier, education-related personal travel is Australia's most significant service export to Indonesia and a large number of Indonesians undertake tertiary study in Australia. Australia's aid program also contributes to the education of young Indonesians through, for example, a current program of investment in approximately 1500 madrasahs ('madrasah' is an Arabic word for school).

### ***Tertiary education and alumni relations***

The delegation met with a group of young Indonesian and Australian professionals who had been attendees at the Conference of Australian and Indonesian Youth (CAUSINDY). The CAUSINDY delegates had all studied at Australian universities and told the delegation about the value of people-to-people relationships established while studying. However, the delegation also heard that some opportunities for Indonesian students studying in Australia were limited: for example, tertiary education programs in Australia offer international students limited exposure to industry (in particular, Australian law firms and consultancies do not accept international students for vacation internships).

The CAUSINDY delegates also told the delegation that while informal social contact between alumni occurred, Australian universities themselves could do better at maintaining contact with international alumni. Some CAUSINDY delegates argued that communication and contact between a university and its international alumni tended to be one-sided (that is, initiated by the university such as contacting alumni to request donations), and that international alumni would like a relationship with

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universities which offers alumni benefits such as meaningful contact with industry and the ability to better leverage a university's brand in their professions and fields of expertise.

The delegation heard that there is scope for more Australian students to study in Indonesia, thus strengthening people-to-people relationships; expanding university, business and other stakeholder links; and giving future generations of Australians a better understanding of Indonesia, its people and language. The delegation understands that the New Colombo Plan, 'a signature initiative of the Australian Government which aims to lift knowledge of the Indo Pacific in Australia by supporting Australian undergraduates to study and undertake internships in the region' will encourage 'a two-way flow of students with the region'.<sup>1</sup> The plan offers 'a scholarships program for study of up to one year and internships or mentorships, and a flexible mobility grants program for both short and longer-term study, internships, mentorships, practicums and research'. The delegation is supportive of the New Colombo Plan and would like to see a greater number of Australian students studying in Indonesia. The delegation encourages the Commonwealth government to promote Indonesia—a key country in the region—as a desirable location for Australian undergraduates to undertake their New Colombo Plan studies.

### ***Support for Indonesian madrasahs and teachers***

The Australian Embassy in Jakarta runs a number of programs that support madrasahs and assist teachers and principals with their continued professional training in both teaching and school governance.

In Jakarta, the delegation visited Madrasah Miftahul Huda, a school that has been the recipient of Australian aid to assist with refurbishment of the school building. The delegation was delighted to see the positive impact of the Australian assistance given to the madrasah, and the pride and enthusiasm of the students and teachers towards their school: the delegation experienced this firsthand when treated to a musical performance and given the opportunity to visit classes.

The delegation was equally pleased to meet with principals, teachers and school administrators in Balikpapan and to hear how Australian assistance has been helping to improve the quality and standards of teaching and school administration.

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1 Department of Foreign Affairs and Trade (DFAT), *New Colombo Plan*, available: <http://dfat.gov.au/people-to-people/new-colombo-plan/pages/new-colombo-plan.aspx> (accessed 18 November 2015).

### *Visit to Madrasah Miftahul Huda*



### **Countering violent extremism**

During its visit, the delegation had the opportunity to meet with Indonesian academics and experts to discuss the two countries' approaches to countering violent extremism. The delegation was particularly interested to learn about Indonesian democracy and its intersection with religion and education. The process of radicalisation and the recruitment of young Indonesians, including how this differs from Australia, and the social and educational approaches being implemented to reduce these were also the subject of discussion.

While in Jakarta, the delegation visited Sunda Kelapa and met with the Chairman, Mr HM Aksa Mahmud, and other members of the Board. The mosque provides schooling and a range of social programs, including religious education and areas for people to study, as well as a free breakfast on Friday mornings. The mosque teaches and promotes balance, tolerance and inclusion; Mr Mahmud explained that this peaceful form of Islam is also practised in other mosques in Indonesia. The delegation was very pleased to visit the mosque and experience the warm relationship the Australian Embassy has developed with Sunda Kelapa.

*Meeting with Mr HM Aksa Mahmud, Chairman of the Board of Sunda Kelapa*



**World War II memorial sites**

While in Balikpapan, the delegation had the privilege of visiting the Matilda Tank Memorial site, the Pasir Ridge Memorial site and grave, and the site of the Oboe 2 landings. The memorial site visits gave the delegation a sense of the incredibly difficult circumstances and terrain Australian soldiers in Borneo had to endure. The delegation was honoured to visit these important sites and to remember those Australians who lost their lives.

*Laying wreathes at the Matilda Tank Memorial*



*Pasir Ridge Memorial*



**Senator Chris Back  
Delegation Leader**

