

# AUSTRALIA'S EXISTING TRADE AND INVESTMENT RELATIONSHIP WITH INDONESIA

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- **Australia's existing trade and investment relationships with Indonesia**

## History:

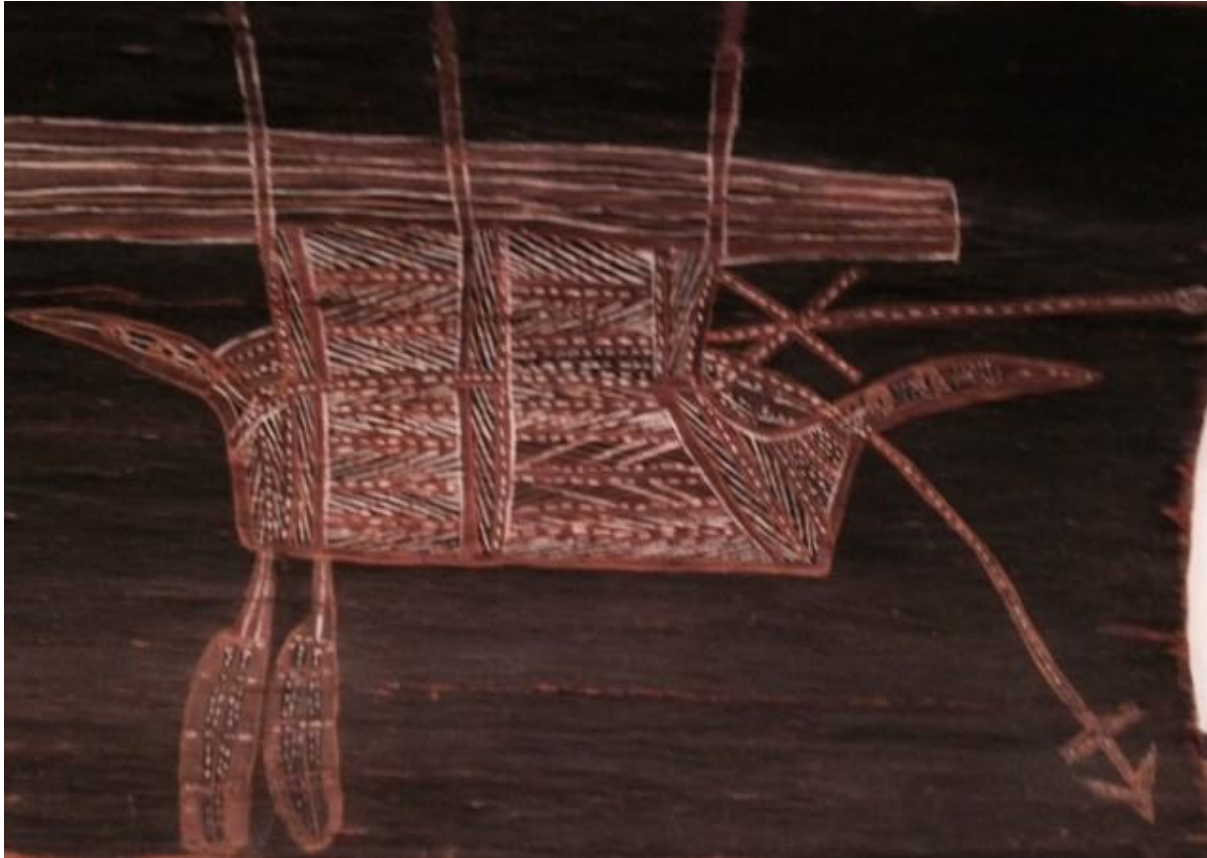
In framing our trading relationship with Indonesia it would be helpful, at an official level and in a symbolic way, to recognise the pre European history of the Australian trading relationship between North and North West Australia and South Eastern Indonesia.

For over 400 years prior to European colonisation the Aboriginal people of northern Australia conducted a mutually beneficial trading and investment relationship that linked Australia, through Indonesia via Makassar, to markets in China. This is the missing historical narrative that will help provide the broader Australian non Aboriginal community with a deeper understanding of our Asian history and of our trading past with South East Asia. For Aboriginal communities in Northern Australian stories, intermarriage, dances, rock art, bark paintings and sculptures, song cycles and language already link the two countries.

North Australian Warumu post derived from Makassan funerary post after trading links North Australia to Makassar (West Australian Art Gallery)



Artist: Ngulburai born Elcho Island NT 1920



Aboriginal Bark Painting of a Makassar Prau-Art Gallery of NSW

#### Current:

There is broad agreement today that the trading and investment relationship is underdone in all but Mining and Wheat and the statistics show it. This also applies to the Education and Training sector where Indonesia barely makes it into the top 10 of the education services market.

In the Universities Australia (UA) figures for international students enrolled in Australian Universities in 2014 Indonesia was 9<sup>th</sup>. How can this be? The story is much the same in other sectors of Education services including Schools and English Language where numbers are actually declining. In the last 3 years there has been a gradual increase in VET numbers as Indonesian parents better understand the easier entry requirements for VET and the job ready skills that are provided. Areas like Business Management, Fashion and Tourism, Catering and Patisserie are attractive to Indonesian students.

Price point and public perception of Australia are important in explaining the low numbers as are the government of Indonesia imposed barriers to trade in Education services. Education is not perceived as a for profit business. Most successful Australian linked education investments operate as not for profit foundations or Yayasan. An example of a successful Australian inspired operation is the high profile and highly professional Indonesia Australia Language Foundation (IALF) which provides pre-departure English to scholarship recipients in centres operating in Jakarta, Surabaya and Bali with increasing outreach in Eastern Indonesia. The majority of its course fee funding comes from government sources including DFAT.

Most of the existing presence by Australian universities is in Java and not in other islands and is narrowly representative of elite Indonesian and elite research intensive

Australian universities. These universities attract a disproportionate amount of government funding. A case in point is the Australia Indonesia Centre which would appear to circulate a considerable amount of Australian government funding among a narrow group of its member universities. Universities outside this range often have their own highly regarded research profile in certain areas but fewer opportunities to develop their regional partnerships.

Foundation Studies and Diploma pathway programs are operated in Jakarta by a small number of Australian providers in partnership with local organisations. These include Deakin, UNSW and Monash. Student numbers are low. A wider group of Australian universities are starting to work with National Plus Schools in metropolitan cities to offer pathways to university in Australia. Regional education hubs in Singapore and Malaysia are also attractive to Indonesian students.

- **barriers and impediments to trade and investment with Indonesia for Australian businesses, including examination of supply chain costs**

Indonesia adopts a strongly nationalistic approach to provision of education by foreign providers. There is no stand-alone foreign university operating in Indonesia though Australian universities do offer some joint programs taught in English with Indonesian partner universities. It is not legally possible to establish a foreign owned institution.

Some suggestions have been made to allow foreign universities to set up in Free Trade Zones but the reality is that any siting of a foreign university would need to be in a main metropolitan city.

The Indonesian Scholarship Coordinating Body (LPDP) which classifies Australian Universities that are suitable for recipients of LPDP scholarships would be better advised to use the Excellence in Research Australia (ERA) reports to determine which Australian Universities could be applied to for a particular discipline. DET could assist LPDP in this process.

At the School level there is an Australian international school with campuses in Jakarta and Bali which offers an Australian primary and secondary curriculum.

English language proficiency is crucial for the globalisation of the Indonesian economy and is the official language of the Asean Economic Community (AEC). Indonesia has been improving its teaching of English and there are now more avenues through digital technology for Indonesians to connect to an English speaking world. Having said that, there is however a real need for Indonesia to address the issue of better English language proficiency. It is fact that Indonesia is not able to produce enough candidates with the English language scores, as measured by the IELTS test, to successfully apply for scholarships to study overseas in English medium universities and colleges. This weakness is particularly applicable in regional and remote areas of Indonesia including the Eastern Islands.

The current regulations covering foreign English teacher qualifications in Indonesia are far narrower and more restrictive than those that apply to teachers working in the ELICOS sector in Australia.

One solution would be for Indonesia to accept the minimum standards as outlined by the Australia's National ELT Accreditation Schemes (NEAS) code for teacher qualifications. The current Indonesian regulations are an impediment to the free flow of professional persons between our 2 countries and this issue has been noted in the IA CEPA negotiations.

The Vocational and Skills Training sector is receiving increasing attention from both governments however the facts are there is minimal joint activity due to the challenges posed by partner selection and price point. The glue that could really help to join the two training systems would be working with global business and industry to jointly address the training needs of Australian and Indonesian companies to seriously address the challenges and being prepared to pay for it.

TAFE Directors Australia (TDA) and AFG VG have done work to build the Skills Training Profile of TAFE in Indonesia over the last 3 years. This has been in partnership with DET and its Indonesian counterpart RISTEK DIKTI together with support from the Indonesia Australia Business Council (IABC).

- **Emerging and possible future trends**

1. Increasing focus on skills training will provide an opportunity for the quality end of the Australian VET training sector to partner with like-minded Indonesian polytechnics, institutes and academies to jointly address the skills training gaps of Australian and Indonesian businesses operating in Indonesia and more widely across ASEAN. We must however ensure that those private providers who grew rich at the trough of "VET Fee Help" are kept out of the Indonesian market. Reputational risk is a real issue for Australia.

2. Increasing regional development in 2<sup>nd</sup> and 3<sup>rd</sup> tier cities is part of the Indonesian government's policy. See link below from Antara Feb 17 2017

<http://m.antaranews.com/en/news/109461/accelerated-infrastructure-development-is-key-to-n-sumatras-welfare-president-jokowi>

Australia had an Honorary Consul in Medan North Sumatra until 2014 and has opened a Consulate in Makassar March 2016. It would be strategically smart to look at reopening in Medan.

3. Regional universities in Australia and peak bodies such as the Regional Universities Network (RUN) in Australia could be encouraged to develop stronger links with Regional universities in Indonesia.

- **Opportunities for deepening existing commercial and cultural links, and developing new ones, with Indonesia.**

1. TDA could look at establishing, with Government and Industry support, a centre of excellence in Vocational Education and Skills Training located at a central location in Jakarta or possibly Surabaya or Bandung.

2. Increasing focus on Solar and Wind power renewables to power communities in the 17,000 islands that make up Indonesia will present opportunities for Australian expertise to partner Indonesian companies and training partners in establishing, maintaining operations and training local communities.

This opportunity could be focused in the first instance on a couple of locations in the Eastern Islands using the established education links between North Coast TAFE NSW, Southern Cross University Lismore, Pattimura University Ambon and Polytechnic Ambon.

Another region for application of this technology for an Australian Indonesia partnership in power generation to island communities would be the surf and dive tourism locations that stretch all the way down the west coast of Sumatra from Sabang on the North West tip or Aceh to Rote Island off West Timor and close to Darwin. Communities in the Mentawai Islands, Nias and Sumba already have a partnership with NGO SurfAid with funding from DFAT that addresses provision of maternal and child health and clean water. Adding solar and wind power initiatives and training would be a further achievable outcome.

3. Build the NSW /Jakarta DKI Sister State/Province Relationship extended in an MOU signed by NSW Minister for Trade Tourism Major Events and Sport, Stuart Ayers and the Vice Governor of Jakarta Mr Djarot Saiful Hidayat in 2015. This could become a real platform for NSW businesses to establish links with Indonesian counterparts in the greater Jakarta area. This agreement could draw on the strengths of NSW in Infrastructure, Banking and Finance, Sporting and Event Management, Education and Training and Cultural Entrepreneurship. NSW also has the advantage of having an Indonesian speaking Governor, His Excellency David Hurley, who has been learning Indonesian since taking up the post.

4. Utilise the existing presence of the Australia Centre Medan established in 1994 and operating in regional Indonesia for 23 years as a hub for a range of Australian activities in North Sumatra. Activities include Education, Language, Tourist visas, Government Services, Student Counselling and Recruitment , New Colombo Plan regional engagement with local companies and NGO's, business and industry in North Sumatra, Arts and Culture outreach.(e.g. in 2000 the Australia Centre Medan hosted a Writer In Residence program in Partnership with the Australia Council for the Arts).

5. Develop a program of Australian teachers of English to contribute to the improvement of English Language proficiency in Indonesia companies and government Ministries in an equal partnership between the Australian and Indonesian side .The Indonesian side to provide suitable accommodation, transport and local travel costs and the Australian side to contribute airfare and basic living allowance. This could be developed under the NEW Colombo Plan (NCP) and in cooperation with Australian Business Volunteers [www.abv.org.au](http://www.abv.org.au).

- **the role of government in identifying new opportunities and assisting Australian companies to access existing and potential opportunities in Indonesia**

Austrade plays a role in this process as do the two sister business councils the Indonesia Australia Business Council (IABC) and the Australia Indonesia business Council (AIBC).In the non-government enabled community of business people,

entrepreneurial Australians are present in most provinces of Indonesia getting on with doing business, working with Indonesian partners and employing thousands of Indonesians. This is particularly true of the IT, Furniture, Fashion and Tourism sectors.

A case study for this is the Surf and Dive Tourism sector in which Australia SME operations can be found from Sabang in Aceh all the way to Roti Island north of Darwin. Particular concentrations are found on the west coast of Aceh, the Mentawai Islands, Nias and Padang in West Sumatra, Cimaja in West Java, Bali, Lombok, Sumba, Sumbawa, Flores and Roti. Very few if any have sought Australian government support in identifying business opportunities.

- **the contribution of diaspora communities to Australia's relationships with Indonesia**

Both communities have their own diaspora and both are crucial in development of business links.