

Inquiry into the growth potential in Australia's trade and investment relationship with Indonesia

Tasmanian Government submission

Prepared by the Department of State Growth

Tasmania is forging a growing international brand for its ingenuity and capacity to deliver unique, high-quality products and visitor experiences.

International engagement is of critical importance to Tasmania with a high degree of trade exposure. With that in mind, the Tasmanian Government has actively pursued relationships with key trading partners in Asia.

Tasmania's Existing Trade and Investment Relationships with Indonesia

We have built strong relationships with our largest trading partner, China, that we will continue to invest in, but it is also important to pursue wider opportunities for trade and investment in our region to ensure Tasmanian enterprises have access to a diverse and balanced range of global markets in the future.

As Tasmania's sixth largest export market, Indonesia is well regarded as a trading partner. The bulk of Tasmania's exports to Indonesia, around 75 per cent by value, are minerals, in particular unwrought aluminium alloys and unwrought, non-alloyed zinc.

The Tasmanian Government has led two trade missions to Indonesia over the past two years. These missions had a focus on opportunities for collaboration in education, maritime and aviation.

Tasmanian businesses have reported that their Indonesian connections have shown a strong appetite to engage and achieve business outcomes, and that they view Tasmania as having high skill capability and leading edge technology solutions.

Opportunities for Deepening Existing Commercial and Cultural Links

Indonesia offers clear opportunities for future growth in Tasmanian export trade.

Focus areas for growth build on existing relationships in education, maritime and aviation. Over the longer term, Tasmania will also seek to grow exports in tourism, premium food and beverages and the defence sector.

The numbers of international students from Indonesia in Tasmania are low as a percentage of the national enrolment figures. Nonetheless, higher education and VET sector training offer significant opportunities for growth, as evidenced by the recent partnerships. There is a need to build awareness of Tasmania as an education destination. The University of Tasmania commenced strategic engagement in Indonesia in late 2013 to position itself as a partner of choice, particularly for training in the marine and maritime, health and education sectors, and for research in the marine and maritime sectors.

Emerging and Possible Future Trends

Under President Joko Widodo, Indonesia has indicated that it will prioritise investment in infrastructure and human capital to drive the marine and maritime sectors. This is an area of key competitive advantage for Tasmania, which has a strong marine manufacturing and shipbuilding sector through well-known companies such as Incat, and world class education through the globally recognised Australian Maritime College.

Tasmania's premium food and beverage products are highly sought after across Asia, with demand outstripping supply in many product categories. Producers focus on markets that have the willingness and capacity to pay for high value, niche products, and that minimise barriers to trade. Indonesia's upper middle class is large, and as the country grows in prosperity, so will the demand for high quality goods. Once finalised, the Comprehensive Economic Partnership Agreement could make Indonesia a more attractive export destination for Tasmanian exporters by reducing barriers to trade.

The growing middle class also makes Indonesia an important emerging market for tourism. International visitors are more likely to include Tasmania on their itinerary on their second or subsequent trips to Australia. Indonesians are now beginning to discover Australia, so over the longer term, will be increasingly likely to visit Tasmania as part of a return journey. Tourism Australia's promotion of Australia as a destination are critical to helping this to occur.

In terms of inward investment by Indonesia to Tasmania, we are currently in a relationship building phase. The close geographic proximity of our two countries and the recent growth of the Indonesian economy offers us potential future investment opportunities, as do other South-East Asian countries. Improving trade between Tasmania and Indonesia will open the gateway for future inward investment.

The Role of Government in Identifying New Opportunities and Assisting Australian Companies

As a small state, Tasmania values the support and expertise of the Department of Foreign Affairs and Trade (DFAT) and the Australian Embassy in Indonesia to succeed. The Tasmanian Government particularly acknowledges the efforts of His Excellency Ambassador Paul Grigson and his DFAT colleagues to support our two recent missions.

Austrade plays a critical role in successful engagement with Indonesia, by leveraging and sharing industry intelligence with the states and territories. Smaller states lack the resources to commission in depth research into trade and investment opportunities. Duplication can be avoided and costs can be minimised if Austrade takes the lead on this work.

It should also be acknowledged that strong people-to-people linkages are key drivers of trade and investment. International education and migration are to areas where these can be greatly enhanced. All efforts by the Australian Government to encourage greater student and skilled migrant exchange to regions will support building these cultural bridges.

Building and nurturing key relationships can open doors and drive success for trade and investment outcomes. Governments, state and federal, play an important part in supporting the establishment of these relationships.