



## **Submission No 111**

### **Inquiry into Australia's Relations with Indonesia**

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## **AUSTRALIA-INDONESIA BUSINESS COUNCIL LTD**

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### **Submission to Inquiry into Australia's Relations with Indonesia Joint Standing Committee on Foreign Affairs, Defence and Trade**

The Australia Indonesia Business Council Ltd (AIBC) has as its vision "to be recognised nationally and internationally as the peak business association concerned with the promotion and facilitation of bilateral trade and investment between Australia & Indonesia." The AIBC is essentially an organisation to help its members to network with other business people in Australia and Indonesia.

We have around 200 members representing approximately 140 organisations around Australia. Our members represent a wide variety of businesses, including large public companies (such as Rio Tinto, Commonwealth Bank, Coca Cola), professional services (legal, accounting, engineering, educational), government departments (Austrade, DFAT), and organisations, as well as small and medium businesses.

The AIBC history goes back to the early 1970s. In 1971, the Australian Indonesia Business Cooperation Committee was formed with the broad aim of promoting business relationships with Indonesia. In 1989, this organisation merged with the Australia Indonesia Chamber of Commerce, to become the AIBC. We have branches in most states and the ACT.

Our sister organisation in Indonesia, the IABC has a similar history. The DKSPIA (Dewan Kerja Sama Perusahaan Indonesia Australia) was active in the 1980's and evolved into the IABC. The IABC members generally represent Australian business interests operating in Indonesia.

We provide a wide range of services to our members including:

- ✓ Indoemail – the daily email of newspaper articles on Indonesia. This keeps our members up to date on events in and concerning Indonesia.
- ✓ Monthly Newsletter
- ✓ Networking functions – Usually once a month at each branch.

- ✓ Interactive website with information on the AIBC and its members, plus links to various sites of interest.
- ✓ Annual Conference

We are a national organisation, with a small secretariat in Sydney, which handles the membership database, indoemail, etc, with most activities and functions organised by the state branches.

Traditionally the AIBC membership has mainly comprised Australians involved in business with Indonesia. We are now seeing more involvement from the local Indonesian business community, thereby broadening our membership base.

### ***The Indonesian and Australian Economies***

The submission by Austrade is very comprehensive and we see no need to repeat the same information in our submission.

In summary, the Indonesian economy continues to see GDP growth of 3-4% fuelled by the retail sector, yet Foreign Direct Investment is at its lowest levels, resulting in a lack of expenditure on infrastructure. The legal and judicial systems continue to flounder, and the labour laws and rising cost of labour is creating difficulties for manufacturers and exporters. Some large international corporations have pulled out of Indonesia, whilst others persevere and hope for better times.

Corruption is generally acknowledged to be more prevalent now than under the Soeharto regime. Regional autonomy seems to have fuelled the spread of corruption, but hopefully this will be shortlived as people in the regions start to demand more accountability from their elected governments.

The elections in 2004 have been looming large in everyone's thinking. This will be the first direct presidential election in Indonesia, and there is a great deal of jockeying taking place by various presidential hopefuls. We can only hope that once the elections have passed, the focus will switch to providing the people with the services that they need.

Here in Australia we continue to see the economy growing steadily, but with real estate prices rising dramatically, aided by low interest rates. How long this will continue is of concern to many. Unemployment remains around the 6% mark.

Trade between Australia and Indonesia remains buoyant, with Indonesia being the 7<sup>th</sup> most important new export market in 2002-3.

There was some concern that the war in Iraq would increase tensions with Indonesia, but this did not happen, and the relationships continued. The

SARS epidemic impacted on tourism and business travel, but fortunately was brought under control.

The Joint Ministerial Forum held in Jakarta early this year was attended by several Ministers and was considered successful in maintaining good relationships.

### ***The Bali Bombing***

The day after our AGM last year, we received news of the devastating terrorist bombings in Bali in which over 200 people were killed, 88 of whom were Australian. As the extent of the tragedy became clearer, Australians volunteered in many capacities to assist the emergency personnel to treat the wounded, take care of the dead, and console their families and friends. The Australian Government response was fast and effective. Resources were mobilised to provide humanitarian assistance, and police investigative teams were sent to assist in the investigations. Charities were quick to offer assistance, and the Australian public responded magnanimously to the appeals for funding. Various organisations and individuals spontaneously contributed to appeals for aid.

During the following week, the AIBC was contacted by numerous reporters and journalists asking what effect the bombings, and (later on) the travel warnings, would have on business. The AIBC received considerable media exposure on national and local TV, radio, and newsprint.

The investigations into the Bali bombings were quick to uncover the people responsible for the atrocity, and they have been brought to justice. The cooperation between the Australian Federal Police and the Indonesian police has been well acknowledged, and has helped to bring about greater understanding between our countries.

The impact of the bombings has been hardest on the Balinese people who saw their livelihood and economy shattered. The AIBC President visited Bali as part of the Bali Tourism Promotion Conference in February 2003. He spoke with several small shopkeepers and business people who said that business had plummeted to 20% of former levels. Many people lost their jobs and incomes and returned to their villages to eke out a subsistence living. Recent information from Bali indicates that business has improved to about 40 - 60% of former levels, so there is still a long way to go.

Travel Advisories issued by the Australian Government have presented further challenges by discouraging people, especially government officials, from travelling to Indonesia. Our members who generally have several years experience in Indonesia, continue to travel and do business in Indonesia. Australian business people living in Indonesia regard security as an issue, but not the major issue in doing business in Indonesia. What is not clear, is how many potential investors/business people have either deferred their travel or sought other countries in which to do business. The AIBC understands that the Australian Government needs to be cautious where the lives of Australian

citizens are at stake, but we are concerned that it is very easy to impose the Travel Advisories, but there is little guidance available as to how and under what circumstances the Advisories will be lifted. It is also unclear as to why Travel Advisories have not been issued for certain other countries where violence occurs on a daily basis.

Our members were surveyed after the Bali bombings and again after the Marriott bombing, to see what impact this would have on their business. Approx 75% responded that the bombings and travel advisories would have little impact on their business.

### ***Relationships***

The AIBC can only function effectively for its members through developing and maintaining relationships with other organisations. These relationships may be at the branch level or the national level, and it is important that information is shared between the branches and of course with members.

#### **✓ IABC**

The Indonesia Australia Business Council, our counterparts in Indonesia, represents mainly Australian business interests and business people in Indonesia. Like us they provide a range of networking functions, the most successful being the monthly gatherings hosted by major hotels and service organisations. These gatherings attract over 200 guests, and are the largest regular expatriate gatherings in Jakarta. The IABC also publishes a monthly newsletter. In September, 2003, the IABC conducted a "Road show" to talk to Australian business people about the current business climate in Indonesia. Four Australians, including the Austrade Manager for Indonesia, provided briefing sessions in Perth, Adelaide, Melbourne, Sydney, and Brisbane. The message they conveyed was that although there are various issues in doing business with Indonesia, that business is continuing and trade is growing.

#### **✓ Indonesian Embassy & Consuls**

Our friends at the Indonesian Embassy have been very supportive of AIBC activities. The Indonesian Chief of Mission has been acting Ambassador since the previous ambassador left over a year ago. He and his staff have attended several AIBC functions in several states and the ACT, and have kept us informed of developments in the relationships between Indonesia and Australia. The Trade Attaché has been in close touch with us, and helped organise our recent business delegation to Indonesia.

Like wise, the Indonesian Consul General and the consuls and staff in each state are very much involved in our activities and we keep them informed on matters of interest to our members.

✓ Austrade & DFAT

Relationships with Austrade and DFAT over the year have been very good, with several meetings in Canberra and Sydney.

✓ Other Organisations

Over the last year we have worked together with several socio-cultural organisations such as RIAP, AsiaLink, Asia Society in promoting their (and our) functions. As part of our move to encourage Indonesian business people to join the AIBC, we have established closer relationships with Indonesian community organisations in each of the states.

✓ Media

After the Bali bombing we were overwhelmed by the media asking for comments on the effects of the bombing on business. Again after the JW Marriott Hotel bombing in Jakarta, we were asked to comment. The coverage we received was favourable, but it's a shame that it comes about through such tragic circumstances.

### ***Business Plan***

To focus our activities, a Business Plan was drafted and approved by the Board, setting out the areas of focus and realistic targets. The main focus is on increasing and improving personal contact with members and potential members. Branches are urged to increase the level of networking functions and to ensure that these are run at a profit.

### ***Networking Functions***

At the local level, the AIBC activities involve a range of networking functions, usually with guest speakers from Indonesia.

We have been very fortunate to have several Indonesian Ministers including the Trade Minister, the Tourism Minister, and just recently the Speaker of the Indonesian Parliament, as well as respected business people.

### ***AIBC Delegation to Indonesia***

In mid October 2003, the AIBC President led a small delegation of Australian business people to Indonesia. The aim of the delegation was to promote business between Indonesia and Australia, and of course to seek business opportunities for the delegates taking part.

The delegation was successful on all accounts. Meetings were held with the Indonesian Trade Minister, with the Chairman of the Indonesian Chamber of Commerce, and with senior government officials and business people in several regions, including Bali, Solo, Yogyakarta, Bandung and Jakarta. The

Australian Ambassador, Austrade and several professionals provided us with briefings on the political, economic, legal, taxation, and security situation. We conveyed messages from the Australian Trade Minister to his Indonesian counterpart, and from the NSW Premier to the Governor of Jakarta. We also attended the opening ceremony for the Resources Indonesia Exhibition in Jakarta, and were present at the Bali ceremony commemorating the tragic loss of life on October 12, 2002.

Our delegation was warmly received wherever we went, and security at hotels was quite extensive. We did not feel threatened in any way. One of our delegates required medical attention during our visit, and everyone was very helpful and professional in the care they provided.

In our discussions during the visit, several issues arose:

- ✓ Indonesian business people and government officials expressed concern over the difficulties in obtaining visas to visit Australia. There was a perception that Australia was discriminating against Indonesians because of the international terrorist situation. Indonesian travel agents even discouraged clients from going to Australia because of the visa difficulties. We believe that these concerns should be reviewed, and processes simplified wherever possible.
- ✓ Indonesian business people and government officials were also united in their appeal for the Australian government and business people to provide management and vocational training for Indonesians at the regional level, not just through Jakarta.

The AIBC will be following up on these issues raised during the delegation visits.

### ***Other Issues***

Whilst the AIBC recognises that the Australian government does provide aid to Indonesia in various forms, we believe that more could be done in terms of improving communication with Indonesians.

- ✓ Many Indonesians have commented that as children they listened to Radio Australia, which was a trusted source of information on world and regional events, but also provided them with a basic understanding of English, and of Australia. The AIBC believes that Radio Australia broadcasts to Indonesia should be increased, as this is a very cost effective way of reaching ordinary Indonesians at the village level.
- ✓ In business as in any other field, it is important for people to be able to communicate with one another. This requires an understanding of each others language, as well as their customs. Some years ago, Bahasa Indonesia was studied in many schools and tertiary institutions, but has declined substantially in recent times. The decision to reduce government funding for studies of Asian languages is very short sighted. We need to increase funding, not reduce it. We should be

encouraging Australians to learn the language and customs of our neighbours so that we can better understand and deal with them. Reducing the funding sends the signal that we are not interested in communicating with our neighbours. It also places us at a disadvantage if other countries are better able to communicate with them.

- ✓ The Indonesian government are introducing a visa fee for certain countries including Australia and the USA, apparently in retaliation for the fact that Indonesians have to pay a visa fee to enter those countries. This reverses the decision made in the mid 1980's to have visa free entry, which at the time was seen as a major step forward in encouraging tourism to Indonesia. We believe the selective reimposition of visa fees is a regressive step, and discriminates against Australians. It cannot be justified on security grounds, as it doesn't apply to everyone. We have voiced our concerns to Indonesian officials on several occasions.

The AIBC congratulates the Parliamentary Committee on undertaking this inquiry into the relationships between Australia and Indonesia, and we are pleased to make our contribution. We believe that the relationship overall is a healthy one, but that in any relationship there is always room for improvement. We look forward to seeing the outcome of the inquiry.

Yours truly,

**Eric de Haas**

**President**

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