



## **Submission No 119**

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

**Organisation:** Austrade

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**Australian Government**

**Austrade**

22 December 2003

Janet Holmes  
Secretary  
Parliament of Australia  
Joint Standing Committee on Foreign Affairs, Defence and Trade  
Parliament House  
CANBERRA ACT 2600



Dear Janet

**Inquiry into Australia's Relationship with Indonesia**

Further to your letter of 18 November 2003, attached are answers to the questions of Austrade.

Yours sincerely

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## Questions to Austrade

### **1. Can you provide the Sub-Committee with the outcomes of recent discussions between Minister Vaile and Indonesia's Trade Minister Rini Soewandi?**

Discussions were held on 10 November 2003 in Melbourne. The Department of Foreign Affairs and Trade has advised us of the following outcomes:

- Agreement to hold an Australia-Indonesia Automotive Summit in Melbourne early in 2004.
- Australia to host a small Indonesian delegation, including from their Department of Finance, to examine Australia's taxation treatment of automobiles.
- Identify specific sectors in the agrifood industry where both countries could benefit from further trade liberalisation and facilitation.
- Establish an Australia-Indonesia Investment Group.

### **2. In giving evidence to the Sub-Committee on 30 April Austrade described focusing on:**

- a. facilitating business missions into the region, in collaboration with State Governments and business councils;**
- b. participating in State-based events in Australia that make a substantial contribution to doubling the number of new exporters; and**
- c. organising inbound buyer missions from Indonesia to Australia.**

**What have the numbers of these events been over the last ten years? What information do you have to give an indication of the impact of these initiatives?**

Austrade estimates that there have been at least 110 such promotional events over the past 10 years.

Specific outcomes from promotional events as such, are always difficult to track, and have long lead times, companies involved are carefully qualified to assess their prospects to sell in the Indonesian market before they are invited to participate, especially in missions. Also, such promotional activities are often part of a longer-term relationship building exercise with potential overseas buyers.

The security and business environment since the Asian Financial Crisis, September 11 and more recently the Bali bombings has caused some hesitation on the part of Australian companies in the Indonesian market. Austrade has therefore adopted a more pro-active strategy to continue to engage appropriate Australian companies with the widespread opportunities that exist in Indonesia. This involves a significant increase in in-bound buyer visits to Australia, videoconferencing between Austrade's Jakarta Office and Australian companies, and highly targeted delivery of opportunities.

**3. On page 177 of the transcript of evidence Austrade mentioned: *There has just been a change in the law relating to the legal side which makes it hard for lawyers to do anything but work with foreign companies as advisers.***

**Can you provide details of the previous law and the changes made to it? In what forums has Australia's concern about this issue been raised and with what results?**

Austrade understands that the relevant law was changed in 1997 and now states that foreign lawyers are not able to advise on Indonesian law. To be able to practice, foreign lawyers are required to have a current practicing certificate from their home jurisdiction, be a member of a law society in their home jurisdiction and be employed by a local law firm. The lawyer must apply to the Indonesian Ministry of Justice to obtain a licence to practice, then apply to the Ministry of Manpower and finally to the Department of Immigration. The operation of commercial lawyers in Indonesia has never been regulated, though attempts to license foreign practitioners as mentioned above is a start.

Most foreign lawyers in Indonesia work for a foreign company, not a local law firm. Typically these companies are co-located with a local law firm, and share the same administrative and infrastructure resources. Foreigners are employed by the company (not a law firm) as a legal consultant and are unable to advise on Indonesian law.

**4. Austrade referred to its funding and was asked by a member to provide details for the last ten years. The Sub-Committee has yet to receive this information. See page 181 of the transcript of evidence.**

Details of Austrade's budget for Indonesia are as follows:

Year	Net Budget (1)
1993-94	\$2,521,000
1994-95	2,149,000
1995-96	1,991,000
1996-97	1,877,881
1997-98	2,033,992
1998-99 (2)	1,455,925
1999-00	1,866,722
2000-01	2,103,804
2001-02	2,174,638
2002-03	1,878,672

1. This covers Austrade's operations in Jakarta, Surabaya and Medan, and trade display activities. (The Medan office was closed in 2001-02.)
2. An amount of \$387,456 was withdrawn from budget as repayment of capital works.

**5. Page 19 of your submission describes Austrade Jakarta as planning a major Australian automotive mission of 10-15 automotive component manufacturing, tooling and engineering companies, which is expected to visit Indonesia and Thailand in Feb/March 2003. Did this take place and if so, with what results?**

The mission was cancelled due to security concerns.

**6. On page 28 of your submission, you say that there is no current national minerals policy and legislation in Indonesia. Have there been any developments since this was written?**

No.

**7. On page 29 of your submission, Austrade identifies a number of opportunities for Australian service providers. It says 'These opportunities exist across a range of industry portfolios, including Telecommunications, Banking and Finance, Health and Government Services (capacity building/corporate governance) should be targeted as priority sectors'. To clarify, is Austrade suggesting all of the sectors named should be targeted as priority sectors? Does Austrade do anything specific with or on behalf of Australian Government Departments to take advantage of such opportunities?**

There are opportunities for Australian companies in all the sectors mentioned above, but the specific focus for Austrade's activities are in education services and management and consultancy services.

Austrade works closely with Australian Government agencies wherever possible to pursue opportunities.

**8. On page 32 of Austrade's submission, it refers to a Study in Australia exhibition in Jakarta in June 2002. Was this a one-off event or is it planned as a regular event? What percentage of organisations were schools and tertiary institutions? Who is mainly responsible for the promotion of Australian education services in Indonesia? What role does Austrade play? What coordination is there between Austrade, AEI, IDP, DEST and individual service providers? Have any Virtual Fairs been conducted or consideration given to running them in education or for any other services? What involvement did Australia have in the Hobsons Virtual Education Fair? How effective was this event?**

The 'Study in Australia' exhibition was held in Jakarta on 8-9 June 2002 and again on 7-8 June 2003. The event is planned as an annual promotion and discussions are underway in planning for a third such exhibition to be held in Jakarta in 2004. (The actual timing of this exhibition is not certain given the planned elections in Jakarta next year.)

47 institutions participated in the 2003 'Study in Australia' promotion, and given the travel advisory in place at the time, this was commendable. Of the 47 institutions: 57% were from higher education; 32% from VET (Vocational Education Training); 4% from ELICOS (English Language Instructional Courses for Overseas Students); 4% from foundation studies institutions; and 3% from schools.

DEST takes the lead role in markets where both it and Austrade have a presence, such as Indonesia. Under a draft MOU between DEST and Austrade, DEST undertakes the generic promotion of Australia as a provider of international education, and Austrade has responsibility for managing the 'Study in Australia' exhibition and the commercial aspects of education/training.

AEI is a branch of DEST, so they are essentially one organization. Austrade and AEI consult regularly regarding education initiatives in Indonesia. AEI holds training sessions for education agents, and manages the Australian Education Centre. Austrade works with IDP to plan the 'Study in Australia' exhibition, IDP sits on the Advisory Committee for the exhibition, along with four other major agents in the market. Austrade works with education agents in the context of planning for the SIA exhibition.

A virtual fair was initially considered in place of this year's 'Study in Australia' exhibition due to security concerns. A telephone survey of a cross-section of institutions was undertaken and a majority of respondents favoured an exhibition rather than a virtual fair. Based on this feedback, and in consultation with the Australian Ambassador and DFAT Canberra, planning for the exhibition proceeded and options developed in response to feedback. Institutions were advised of two options for participation: to participate via representation by the Australian Education Centre information officer, or to represent themselves in the market should they deem travel to Indonesia as essential.

The Hobsons Virtual Education Fair was held from 27 October - 2 November 2003. Austrade was not directly involved. 124 institutions from around the world participated, including 24 from Australia. Hobsons is an international education portal based in the UK. We are unaware of how effective it was, although Austrade's own experience has shown such virtual promotions to be much less successful than physical promotions.