



# INDONESIA

COUNTRY STRATEGY

AUSTRALIA IN THE  
ASIAN CENTURY

TOWARDS 2025



Australian Government  
Department of Foreign Affairs and Trade



The Coffs Harbour Christian Community School raises funds for orphanages in Indonesia with 'Indo Week' celebrations. The school is also leading the way in integrated and innovative approaches to teaching Indonesian.

READ MORE ON PAGE 10

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## INTRODUCTION

This country strategy takes forward the objective of the *Australia in the Asian Century* White Paper: for Australia to build stronger and more comprehensive relationships with countries across the region. Because of their size, economic links with Australia, and strategic and political influence in the region and globally, China, India, Indonesia, Japan, and the Republic of Korea were identified as the initial priority countries for the development of country strategies.

Each strategy outlines a vision of where Australia's relationship with the country should be in 2025 and how we, the Australian community, intend to get there. The strategies identify opportunities for community, business and government to participate in and contribute to the process of deepening and strengthening our regional engagement. They reflect the views of Australians, collected during nationwide consultations, and in doing so continue the national conversation initiated by the White Paper, to better identify whole-of-Australia objectives and priorities for the Asian century.

These are challenges for all of us.

Consultations to develop this strategy were held from 4 April to 31 May 2013. During this period, Australian Government officials led by the Department of Foreign Affairs and Trade undertook face-to-face consultations in each state and territory capital. Officials met all state and territory governments and engaged with business representatives, community and academic stakeholders. Consultations were also held overseas and in regional Australia. In all, 1,300 Australians attended meetings, roundtables and 'town hall'-style public forums. The Government also received over 250 formal written submissions.

This strategy will be tabled in Parliament and regularly evaluated and updated.

The Government extends its deep appreciation to all who participated in developing these strategies, and will continue to draw on the views expressed in Australia's ongoing engagement with these countries.



Adelaide consultations, May 2013.

Credit: Chesser Street Studios.

### Front cover images

Top left: Australia-Indonesia Youth Exchange Program participants, courtesy of the Australia-Indonesia Institute.

Top right: Nan Jombang, Tarian Malam at Brisbane Powerhouse 2013, courtesy of the Brisbane Powerhouse.

Bottom left: INDOfest 2012, courtesy of INDOfest.

Bottom right: Tasmanian students visiting a school in Denpasar, courtesy of the Australia-Indonesia Institute.

# INDONESIA: WHY IT MATTERS

Indonesia's economy is forecast to be the **world's 10th largest** by 2025.

**\$1 trillion**  
GDP

Gross domestic product (GDP) of more than US\$1 trillion (purchasing power parity)



Largest economy in Southeast Asia



Only Association of Southeast Asian Nations (ASEAN) member in the G20

Indonesia is a rising regional power and an emerging global player. Combined with its geographic proximity to Australia, this makes Indonesia a vital strategic partner in the Asian century.

Modern Indonesia has a growing economy; a young and dynamic population; and a diverse, democratic and social media-savvy culture. The country's economic future matters to Australia. A stable, democratic and prosperous Indonesia is squarely in Australia's interests.

Indonesia's annual GDP growth is projected to average more than 6 per cent between 2013 and 2025. As Indonesia's economy grows, so too will its 'consuming class', and with it the demand for consumer goods and services.

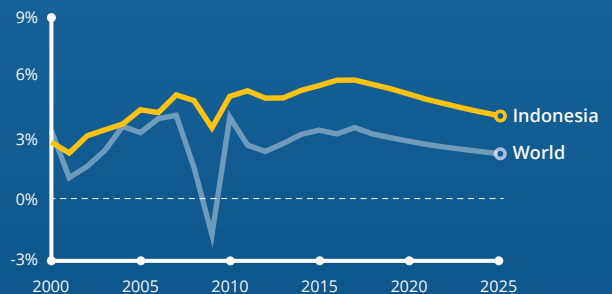
“Indonesia is critically important to Australia. Its growing economy and population also make it a natural geopolitical leader within Southeast Asia.”

Telstra submission, May 2013.

While development challenges (such as infrastructure and skills deficits) do remain, the strength of Indonesia's economy has the potential to open up new opportunities for Australia and Australian business.

Strong economic growth is helping the country reduce poverty levels – the World Bank reports that between 1999 and 2011, the national poverty rate fell from 23.4 per cent to 12.5 per cent. Indonesia has also invested in basic services, particularly education.

Indonesia and world economic growth (GDP, PPP)



Source: Treasury projections, 2012.

## Indonesia is the **fourth most populous** country in the world.



Population  
of 250 million



'Consuming class'<sup>1</sup>  
twice the size of  
the population of  
Australia



Young and  
dynamic people  
44 per cent of Indonesians  
are aged under 25

The country has reached the Millennium Development Goal (MDG) of halving the population living on less than US\$1 a day (MDG 1). It has also met, or is on track to meet, education (MDG 2) and child health (MDG 4) targets.

Indonesia is a significant and successful democracy, with Indonesians turning out in high numbers to vote in national, regional and local elections. Parliament and the media both play a key part in fostering this democratic culture.

Indonesia is decentralising its economic power. Influence is now moving beyond Jakarta to cities such as Balikpapan, Makassar, Medan and Surabaya. These are now burgeoning centres of growth and development.

Indonesia has a multi-ethnic and multi-faith constitution. There are six official religions: Buddhism, Catholicism, Confucianism, Hinduism, Islam and Protestantism. Islam accounts for more than 85 per cent of Indonesians.

Indonesia has always been strategically important to Australia. However, in an increasingly multi-polar world, where large regional powers will grow in political and economic significance, Indonesia's strategic importance is set to increase.

Indonesia is a valued partner for Australia in negotiating the global economic agenda of the G20. It is an important fellow player in the United Nations and in the region, including in the East Asia Summit and APEC. Indonesia continues to play a strong regional leadership role in ASEAN.

Australia's challenge towards 2025 is to harness and develop the skills we need across the country, to deepen and strengthen our relationship with Indonesia.

## Indonesia is a **global leader in social media**. It has:



More Facebook and  
Twitter users than  
the population of  
Australia



The world's third-  
largest market for  
Facebook



The most active city  
for Twitter in the  
world: **Jakarta**

<sup>1</sup> Members of the 'consuming class' are those with an average annual income over US\$3,600. Source: McKinsey Global Institute.

# VISION 2025: INDONESIA AND AUSTRALIA

By 2025, Australia will have the capabilities necessary to support a comprehensive strategic partnership with Indonesia, our close neighbour and an emerging global player.

Indonesia is unquestionably important to Australia. Sustaining and strengthening Australia's relationship with the country, in all its facets, must be a first-order priority for governments, businesses and the community.

Most observers consider that Australia's relationship with Indonesia is in good shape. Our senior leaders meet often and work well together, and the architecture of the relationship is comprehensive.

Yet despite this, two-way trade remains low – Indonesia is only our 12th-largest trade partner. In addition, the study of Indonesian in Australian schools is in decline, and the Australian public's perception of Indonesia has been characterised by a lack of knowledge on the country.

Getting the relationship between Australia and Indonesia right is critical for both countries and for our region. To achieve this, we need to build a stronger and much broader foundation for the relationship.

As Indonesian President Susilo Bambang Yudhoyono eloquently put in an address to the Australian Parliament in 2010, "we need to bring a change to each other's mindset".

Indonesia is in the midst of a significant economic, social and political transformation, and it is important

for Australians to understand what this means for Indonesia and for us.

Looking towards 2025, the challenge for Australia is to change perceptions across the entire community.

To achieve this goal, Australians will need to develop and harness new skills that are relevant to Indonesia. Indonesian language skills are important. We will also need a greater appreciation of Indonesia's culture, society, businesses and economy.

Towards 2025, the challenge for Australian **communities** will be to build awareness of, and the skills needed to capitalise on, the cultural and educational opportunities offered by contemporary Indonesia.

Awareness will also be a key priority for **businesses** in building stronger trade and investment relationships. Strengthening the business-to-business framework, environment and partnerships will be critical.

The challenge for **governments** will be to strengthen our bilateral architecture by deepening people-to-people engagement.

Beyond 2025, we must deploy our new skills and capacities to create a comprehensive and mutually beneficial partnership with Indonesia.

## NATIONAL GOAL:

Looking towards 2025, the challenge for Australia and for Australians is to change perceptions across the community, and to harness and develop the skills we need to engage more comprehensively with Indonesia in the Asian century.

# VISION 2025: CROSS-CUTTING ISSUES

Public submissions and consultations have highlighted two key pathways to achieving Australia's goals towards 2025. These apply across the community, business and government sectors.

Firstly, more Australians need to be 'Indonesia-literate'. This includes building Indonesian language skills and an informed appreciation of Indonesia's economy, politics, culture and society.

Secondly, we need to make travel between Australia and Indonesia easier for business, education and leisure purposes. This will help build awareness of Indonesia in Australia and create more people-to-people links.

## CROSS-SECTOR PATHWAYS

### Building Indonesian capabilities in Australia

The Australian Government, in consultation with community and education-sector stakeholders, will continue to foster strategies to support the study of priority Asian languages, including Indonesian, in schools and at university. It will:

- create and sustain demand for Indonesian language and cultural expertise, by:
  - promoting accurate, contemporary images of Indonesia in Australia
  - working with businesses to ensure that Indonesian expertise enhances job prospects
- provide continuous access to Indonesian language education at all levels of schooling
- increase links between schools, colleges and universities in Australia and Indonesia
- provide more opportunities for in-country study at school and tertiary-education levels
- enhance strategies to capitalise on Australian and Indonesian alumni networks
- ensure government programs effectively support community efforts to build people and educational links.

“ We want to focus on developing a mature relationship through which we can further strengthen cooperation on regular migration and people-to-people links.”

Department of Immigration and Citizenship,  
Interagency consultations, May 2013.



ABC Radio National Host Sarah Kanowski interviewing Indonesian artists as part of the seventh Asia Pacific Triennial of Contemporary Art, December 2012.

Credit: QAGOMA Photography. Photo courtesy of the Australia-Indonesia Institute.

### Making travel between Australia and Indonesia easier

The Australian Government will:

- focus on enhancing the mobility of people in both directions, and seek to improve visa processes in both countries
- substantially increase two-way business, education and tourism travel by removing unnecessary impediments and proactively facilitating travel opportunities
- enable safe, secure and efficient operation of international transport networks between Indonesia and Australia, through targeted assistance
- work to ensure that travel advice does not inappropriately prevent Australians travelling to Indonesia.

# CONNECTING COMMUNITIES: WHAT WE ARE DOING

While the Australian Government plays a leading role in strengthening and building our overall relationship with Indonesia, relationships are fundamentally underpinned by people.

Businesses, community groups, governments, and educational and cultural institutions are already playing key roles in connecting communities in Indonesia and Australia, and helping people get to know each other.

We have been connecting communities in Australia and Indonesia for many years. Community organisations, including the Australia-Indonesia Youth Association, the Australia-Indonesia Associations and the Indonesian Students' Association (PPIA), as well as the Indonesian community in Australia and the Australian community in Indonesia, have all played a valuable role.

The Australia-Indonesia Institute (All) promotes people-to-people links between Australia and Indonesia. Funded by the Australian Government, it has a diverse range of programs including the Building Relations through Intercultural Dialogue and Growing Engagement (BRIDGE) program, the Australia-Indonesia Youth Exchange Program and the Muslim Exchange Program. The All also funds public grants, which build links across the community.

## EXCELLENCE AUSTRALIA AWARDS PROGRAM IN INDONESIA

The Australia Awards is the largest and longest running international scholarship program in Indonesia and an important part of the relationship between Indonesia and Australia. The program offers the next generation of Indonesian leaders an opportunity to undertake study, research and professional development in Australia, and for high-achieving Australians to do the same in Indonesia. The Australia Awards strengthen the capacity of talented individuals to contribute to Indonesia's development and, by building people-to-people links, support Australia's strategic goals.

Awards are allocated through a competitive process agreed between the governments of Australia and Indonesia. High-profile alumni include Indonesia's Vice President Boediono, Foreign Minister Marty Natalegawa and Finance Minister Muhammad Chatib Basri.

Between 2007 and 2012, almost 3,000 Australia Awards were offered to Indonesians – the majority by AusAID with some awards for agricultural research offered by the Australian Centre for International Agricultural Research (ACIAR). During the same period, the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education provided Australia Awards Endeavour Scholarships and Fellowships to an additional 158 Indonesians to undertake study, research or professional development in Australia, and to 59 Australians to do so in Indonesia.

More than 570 new Australia Awards have been offered to Indonesians in 2013.



Dialogue with and visits from influential figures and opinion makers, including journalists, are invaluable for building understanding between Australian and Indonesian communities.

The bilateral Indonesia-Australia Dialogue brings together business, media, science and non-government opinion leaders every two years to discuss approaches to fostering deeper links between the communities.

Australia has a long history of cooperating with Indonesia in science and technology. To date, this cooperation has focused on building capacity, which has formed the basis for a stronger relationship in scientific research, including medical research.

Cultural exchange and collaboration in the arts has also been a highly regarded feature of the relationship between Australia and Indonesia.

Consultations have demonstrated that Indonesia is increasingly on the radar for Australia's major cultural organisations. This builds on the work of many Australian artists, writers and performers who have sought to deepen their art practice by immersing themselves in Indonesia's rich and diverse cultures.

However, there is still room to expand cultural links between the two countries.

In 2012, the All and the Australia International Cultural Council ran the first Artistic Directors' Visit to Indonesia.

In 2014, OzFest will showcase Australian arts, culture, design and technology throughout Indonesia. The program will update Indonesia's perceptions of Australia, highlighting our diversity, dynamism and excellence in the arts. A reciprocal program will be held in Australia, supported by the Indonesian Government.

Australia's development assistance program has also created close ties between Australian and Indonesian communities. For example, since the 1950s Australia's scholarship program has supported around 10,000 Indonesians to study at Australian universities. During the past 10 years, the program has also supported almost 1,200 Australian volunteers to work in Indonesia.

Below: Children participating in the 2012 INDOfest parade with the *kuda lumping* (flat horses) they made.

Credit: INDOfest.

## PEOPLE INDOfest

### Promoting Indonesia in South Australia

INDOfest is an annual festival held in Adelaide, South Australia to celebrate all things Indonesian. INDOfest provides an exciting opportunity for South Australians to experience Indonesian culture. Attended by around 20,000 people, the 2013 event on 14 April included food stalls, music and dance, information and craft stalls, and cultural workshops. The involvement of the South Australian and Indonesian communities in organising and attending INDOfest led Indonesian Ministry of Tourism and Creative Economy representatives to call the event "the best Indonesian festival abroad".



# CONNECTING COMMUNITIES: WHAT WE NEED TO DO

Towards 2025, we will build deeper relationships between Australians and Indonesians. These links will provide the basis for building a stronger partnership between our countries.

Public consultations have highlighted a gulf in how Australian and Indonesian communities perceive each other's country. These perceptions tend to be based on outdated stereotypes rather than the current realities of these contemporary societies and economies.

**COMMUNITIES GOAL:** Australian and Indonesian communities will have a greater understanding of one another, with deeper links in fields such as science and technology, culture and the arts, education and tourism.

Closer relationships will give more Australians and Indonesians a better understanding of what is happening in our respective countries. This understanding will enable Australians to access the cultural and economic opportunities on offer in Indonesia and the wider region. In turn, Indonesians will develop a deeper knowledge of Australia.

Despite our proximity to Indonesia, few Australians travel beyond Bali or Lombok. Far fewer Indonesians travel to Australia as tourists. While Indonesia is an important student market for Australia, the numbers are relatively small, and very few Australian students take up courses in Indonesia.

By 2025, Australia needs to be seen as a natural first choice for Indonesians, particularly students, going overseas. Australian educational institutions, universities, and vocational educational and training providers must look to establish presences in Indonesia through partnerships with their local counterparts.



Scotch College (WA) students teach Australian Rules Football to students and staff of Al-Izhar Pondok Labu high school (Jakarta).

Credit: Scotch College.

We also need to intensify efforts to build links between schools in Australia and Indonesia. Exchanges, visits, and the use of social media to encourage continued study of Indonesian language, culture and business will encourage friendships between Australian and Indonesian youth. This will provide a stronger foundation for real engagement between the countries and for consolidating our Indonesian capabilities beyond 2025.

“ We have a saying in Indonesia, *‘tak kenal maka tak sayang’*. This means that if we do not know each other then we would not care for each other. Knowing more of each other's needs, views and thoughts is an important building block in our relationship.”

Indonesian Students' Association (PIIA) submission, May 2013.



Muslim Exchange Program participants with Australian Ambassador Greg Moriarty.

Photo courtesy of the Australia-Indonesia Institute.

There are significant cultural differences between Australia and Indonesia, which we need to acknowledge and better understand. Few Indonesians have an appreciation of the diversity of modern multicultural Australia. Firsthand experiences and an enhanced cultural understanding will go a long way towards dispelling some of the persistent stereotypes about contemporary life in each country.

Towards 2025, we will work harder to highlight contemporary images of Indonesia's society, economy and culture, particularly among young people in Australia, with a focus on the shared interests of young people in both countries.

We will continue to foster interfaith dialogue and exchanges to enhance the community's appreciation of cultural differences.

More collaboration and exchange in the arts and sports will be vital to delivering a deeper sense of each country's strengths, and to cultivating real friendships based on common interests. Sports associations – including those for sports popular in both countries, such as soccer – will play a key role through their extensive community networks.

The relatively small but active Indonesian community in Australia will continue to feature as a guide and gateway for stronger people-to-people links. The community will need to keep up activities to support Indonesian students studying in Australia, engage Indonesian interest groups, and promote Indonesian culture and language.

Collaboration in science and technology will assume a greater significance in the relationship between Australia and Indonesia.

We will need to encourage more partnerships and cooperation between academic and scientific communities in Australia, including pursuing negotiations to renew a science and technology treaty with Indonesia.

Strong research partnerships will also help build Australia's reputation as a source of high-quality education.

Greater research collaboration will enhance Australia's profile as a valued partner in Indonesia. ACIAR and AusAID, among others, will remain important partners in strengthening practical science links at a community level in Indonesia.

## IDEAS ► CSIRO AND BPPT IN PARTNERSHIP

CSIRO has recently signed a partnership agreement with the Agency for the Assessment and Application of Technology (BPPT), Indonesia's publicly funded applied research agency. Together, CSIRO and BPPT will be tackling research questions on biosecurity; food and agriculture; energy and mining; and sustainable development. The organisations are already mapping

Indonesian and Australian innovation systems in these research fields. This work will enable the countries to assess future trade and development pathways, and conduct a scenario analysis on how we can work collaboratively on major regional challenges to achieve sustainable economic growth.

## LEARN COFFS HARBOUR CHRISTIAN COMMUNITY SCHOOL

Coffs Harbour Christian Community School (CHCCS) is leading the way in integrated and innovative approaches to teaching Indonesian from the first year of primary school until Year 12, giving students an informed understanding of the country. The school aims to ensure that all students are equipped with significant knowledge of Indonesian language and culture, which could lead to further Indonesian studies and an increased ability to access job opportunities in the region.

Language studies are complemented by cross-curricular ties, such as the study of Indonesian business culture in the Year 11 Business Studies curriculum; annual 'Indo Week' celebrations; fundraising and volunteer activities for orphanages in Indonesia; and collaborative classes with Harapan School, CHCCS's sister school in Indonesia.

Students from Coffs Harbour Christian Community School learning about traditional Indonesian culture.

Credit: Coffs Harbour Christian Community School.



## SHARE INDONESIA AUSTRALIA VET MENTORING PROGRAM

Supported by the Australian Government, the VET mentoring program is a two-year pilot program enabling directors from up to 20 Indonesian polytechnic institutes to travel to Australia and spend two weeks in selected TAFE institutions. The program will help Indonesian polytechnics meet industry needs by improving the quality and relevance of their training,

as well as building connections between Indonesian and Australian institutions. There is potential for the program to eventually establish joint programs between institutions and improve mutual recognition of qualifications between the two countries.

Cooperation in the health, agriculture, food security, disaster management and environment sectors will ensure that both countries are well positioned to meet the challenges of climate change, both now and towards 2025.

Australia will need to work harder to demonstrate its innovation, openness and commitment to the region in a more competitive global environment. Cultural diplomacy, dialogue and exchange, and the media will be important tools as we aim to project within Indonesia an image of Australia as a dynamic, open and valuable neighbour.



Celebrate Australia film screening of *Red Dog* in Jakarta, February 2013.

Credit: DFAT.

## UNDERSTANDING LINKS BETWEEN SCHOOLS

The Building Relations through Intercultural Dialogue and Growing Engagement (BRIDGE) program will connect more than 180,000 students in Indonesia and Australia by 2015. Supported by AusAID and the AII, the BRIDGE program funds reciprocal visits by Indonesian

teachers to and from Australian schools, and supports online collaboration between Australian and Indonesian schools, including through social media. A university BRIDGE pilot program also commenced in 2012. These partnerships have fostered a better understanding about different ways of life in the two countries.

Students from SD Pondok Labu 11 in Jakarta visiting Leongatha Primary School in Victoria.

Credit: Photo courtesy of the Asia Education Foundation.



# CONNECTING COMMUNITIES: PATHWAYS TO 2025

By 2025, Australian and Indonesian communities will have a deeper understanding of one another, with wider links across the entire community.

Reflecting public submissions and consultations, Australia will work to:

## PEOPLE

- Intensify efforts to bring together people outside government in Australia and Indonesia, including through the Indonesia-Australia Dialogue and other bilateral community forums.
- Develop and sustain online public registers of:
  - people-to-people links between Australia and Indonesia
  - experts in both countries who can explain and interpret developments in the other country.
- Establish and promote annual bilateral sports championship tournaments, including soccer and other popular sports.

## ATTITUDES

- Raise awareness of Indonesia in the Australian community, with a focus on projecting positive images of contemporary society. This would include:
  - working with media organisations, and increasing use of social media
  - encouraging content sharing and active exchanges between Australian and Indonesian media.
- Foster a more active program of annual cross-cultural and interfaith dialogue, exchanges and collaboration between Australians and Indonesians.

## IDEAS

- Maintain a focus on Indonesia, as one of the priority countries in the *Australia in the Asian Century* White Paper, when awarding scholarships and study grants.
- Negotiate and leverage a science and technology treaty with Indonesia, to create an enduring platform for research collaboration and partnerships.
- Strengthen links through reciprocal arts, culture, and design and technology programs.
- Support approaches to pooling and sharing expertise on Indonesia among Australian academic and cultural institutions, media, and community and business groups.
- Pursue greater transnational education cooperation, increasing links with Indonesian institutions and possibly establishing offshore campuses in the future.



Australia is working with Indonesia to build more schools and improve access to quality education across the country.

Credit: Mia Salim for AusAID.

## DEVELOPMENT AUSTRALIA'S AID PROGRAM

Australia's aid program, delivered primarily through the Australian Agency for International Development (AusAID), will help Indonesia strengthen its national systems and invest in services and infrastructure.

Australia is a long-term partner for Indonesia and is committed to helping the country achieve its development objectives. In 2012–13, we provided \$541.6 million in aid to Indonesia; this figure will grow to \$646.8 million in 2013–14. By using our funds to help Indonesia use its own resources effectively, we ensure our aid makes a real difference to Indonesians living in poverty.

Using Indonesia's official poverty line of AU\$0.90 per day, just under 29 million Indonesians lived in poverty in 2012. Almost 100 million more Indonesians live on less than \$2 a day, and many more are vulnerable to falling into poverty. In the coming years, Australia will continue to work with Indonesia to boost sustainable economic growth while ensuring that the benefits are felt by all Indonesians. We will focus on supporting the poorest demographic groups: women, children and people with disabilities, as well as those in eastern Indonesia where the incidence of poverty is greatest.

Building links between the two countries will be critical. We will help Indonesia access the policy and technical expertise of Australia's federal and state governments, businesses and communities. We will support institutional relationships between our governments through visits and secondments, and support knowledge-sharing and people-to-people links using scholarships, volunteer programs and funding for Australian civil society organisations to work in Indonesia. We will work with businesses to find new ways to enhance development in Indonesia. We will also help Indonesia share its development knowledge with other countries in the region.



MTV concert to fight human trafficking, supported by AusAID, in Bandung, September 2012.

Credit: Rendy Djauhari for AusAID.

# CONNECTING BUSINESS: WHAT WE ARE DOING

Indonesia is projected to be the world's 10th largest economy by 2025. If this trajectory continues, Australia will have a global economic powerhouse as its immediate neighbour.

Consumer spending has been the engine room of economic growth in Indonesia in recent years and its outlook remains strong. The McKinsey Global Institute estimates that the 'consuming class' now numbers 45 million and is forecast to increase to 135 million by 2030.

**“Australia’s economic spotlight has often focused on China and India. We need to think about Indonesia now, or we’ll look back and find we’ve missed the opportunity.”**

Discussion at the Adelaide consultations, May 2013.

However, for Indonesia to achieve its growth potential the country will need to address constraints – including weaknesses in infrastructure and the business environment – improve skills deficits and increase efficiency.

Maintaining an open trade and investment regime will also be crucial to ensuring that Indonesia remains an attractive destination for foreign investment, including by Australian businesses.

Agribusiness, resources and infrastructure currently dominate Australia’s trade relationship with Indonesia, reflecting Australia’s strong comparative advantage in these sectors. Indonesia is Australia’s third-largest agriculture export market, worth more than \$2.5 billion.

Australia has invested around \$6.7 billion in Indonesia, focused on resources, financial services, food processing and manufacturing. There are around 250 companies operating in Indonesia with a substantial Australian connection.

However, two-way trade in 2012 was less than \$15 billion and two-way investment is limited, with Indonesia remaining outside our top 10 partners.

One factor behind these low levels of trade is that outdated perceptions and a lack of appreciation for contemporary changes seem to extend to the business sectors in both countries. Despite the opportunities Indonesia presents and the fact that some Australian businesses are already operating there, the country is still not on the radar for many Australian businesses. The same is true for Indonesian businesses regarding Australia.

**“Indonesia is still not on the radar for many Australian businesses.”**

Australia Indonesia Business Council (AIBC) submission, May 2013.

Indonesia is a member of the Asia-Pacific Economic Cooperation (APEC) forum, the G20, the World Trade Organization and, more recently, the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA). Along with prospective regional trade agreements, these memberships enable greater regional economic integration, helping to remove barriers and promote closer collaboration between businesses in Australia and Indonesia.

Importantly, this engagement is providing a base for building regulatory and policy environments conducive to trade and investment in both countries, which is a critical first step in building a stronger economic relationship.



## WORKING IN INDONESIA ▶ TRISTAN BALIAN

Tristan trained as a chef in Australia. His first real taste of Indonesia came from his experience in the Australia-Indonesia Youth Exchange Program, run by the AII. Not long after returning to Australia, Tristan moved to Bali to work. He later joined the Ismaya Group in Jakarta, where he was promoted to Assistant Corporate Chef, with responsibility for the prestigious Skye Restaurant and Lounge, and the Social House bar.

Tristan has now been living in Indonesia for almost five years and believes that his success can be attributed to his hard work, good relationships with Indonesian staff, and the high-quality products and services he delivers to customers. With most of his staff speaking very little English, Tristan now communicates in Indonesian.



Tristan Balian, Assistant Corporate Chef, Ismaya Group, Indonesia.  
Credit: Photo courtesy of the Ismaya Group.

## TAKING ADVANTAGE OF THE ASIAN CENTURY: WHEAT EXPORTS

Indonesia is Australia's largest wheat export market, with exports valued at \$1.3 billion in 2012. Cooperative Bulk Handling Group (CBH), founded in Western Australia in 1933, is the largest single Australian supplier of wheat to Indonesia. CBH has a significant investment through its joint venture operation PT Eastern Pearl Flour Mill in Makassar,

South Sulawesi. The mill is the fourth-largest flour mill in a single site in the world, processing 2,800 tonnes of wheat per day – equivalent to over 700,000 tonnes of flour per year. CBH's investment in Indonesia is helping Australia grain growers capture a greater share of the value chain.

# CONNECTING BUSINESS: WHAT WE NEED TO DO

Towards 2025, we will increase trade and investment by creating a complementary business partnership with Indonesia. Secure market access, lower trade and investment barriers, and regulatory certainty in both countries will be cornerstones of a stronger economic relationship.

**AUSTRALIAN ECONOMY GOAL:** The Australian economy will be more open to and integrated with Indonesia and the region; the flow of goods, services, capital, ideas and people will be easier; and Australian businesses and investors will have greater access to opportunities in Indonesia.

Australian and Indonesian businesses have highlighted the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) as a top priority for this relationship.

Businesses and government in both countries will need to continue to work as partners to negotiate the IA-CEPA.

“ The IA-CEPA is an opportunity for a step-change in the economic relationship between Australia and Indonesia. AIBC aspires to an agreement that transcends the traditional concept of a free trade agreement to encompass opportunities for a deeply entrenched economic partnership between two large neighbours and strategic partners.”

Australia Indonesia Business Council (AIBC) submission, May 2013.

Beyond securing market access and lowering trade and investment barriers, we are aiming for a trade agreement that gives us a framework for greater engagement between the Australian and Indonesian business communities.

Governments will increasingly look to businesses and peak business groups to be an integral part of the partnership we seek with Indonesia. The Indonesia-Australia Business Partnership Group (IA-BPG) is a good example of how peak business groups in Australia and Indonesia can collaborate to develop a common position on, and become an advocate for, enhancing the economic relationship.

Our overarching priority must be to put Indonesia on the radar for Australian businesses. Businesses and business leaders need to become more familiar with Indonesia, its business culture and how to do business there.

Businesses and governments must also work together to better develop and share expertise on Indonesia among the business community.

Mentoring and support will be key tools for businesses looking to manage their risks when entering the Indonesian market, particularly for small and medium businesses, and those in rural and regional areas. We will also need to look at new and more effective approaches to trade and investment missions.

**BUSINESS GOAL:** Based on our complementarities, Australia will build a stronger trade and investment partnership with Indonesia.

We must also look closely at trade and investment flows in Indonesia and the region to identify future comparative advantages and target key opportunities for Australian businesses, particularly service providers. At the same time, we need to better promote Australian expertise and its comparative advantage within Indonesia.

Connecting with regional value chains for the growing Indonesian consumer market remains an untapped opportunity for Australian companies. Australia has capabilities in numerous segments of the supply

chain, for which demand in Indonesia will rapidly expand. These include food processing, logistics, consumer finance, and product design and development.

The services sector will also benefit from strong growth in consumer spending within Indonesia. Growing sectors – such as higher education and competency-based vocational education, finance, healthcare, ICT and tourism – all align with Australian capabilities.

## LINKS INDONESIA AUSTRALIA PASTORAL INDUSTRY STUDENT PROGRAM

The innovative Indonesia Australia Pastoral Industry Student Program is run by the Northern Territory Cattlemen's Association and provides Indonesian animal husbandry students with firsthand experience of the NT pastoral industry. Students receive intensive industry training and work experience placements on north Australian cattle stations. In return, the station hosts have the opportunity to visit Indonesia.

The program helps build relationships, intercultural exchange and skills development in the Indonesian and Australian cattle industries. It is supported by ACIAR and funded by AusAID.

Indonesian student participants undertake intensive industry training on a cattle station.

Credit: Photo courtesy of the Northern Territory Cattlemen's Association.





Participants at the Indonesia-Australia Dialogue in Sydney, March 2013.

Credit: Jason McCormack Photography.

Beyond awareness, for Australian businesses to trade and invest in Indonesia, the playing field needs to be level and the rules need to be clear. We need to enhance the benefits of a free and open trading and investment regime, and of regulatory and policy certainty.

Increasing two-way investment must be a focus for both governments and businesses. More investment will help build closer business-to-business ties and boost trade between the two countries.

Indonesian businesses must be encouraged to look to Australia, and vice versa.

To do this, we need to show businesses in Indonesia that Australia – with its geographic proximity and

strong consumer demand – is an open and viable market for its goods and services. For Australian businesses, a long-term plan for a business presence in Indonesia, tempered by an awareness of the risks of entering such a new market, should be part of their international outlook.

More broadly, governments will continue to play an important role in opening doors, promoting opportunities, helping to level the playing field and building an enabling operating environment in both countries. Multilateral, regional and bilateral agreements and engagements will remain key tools. Ultimately, however, it will be up to businesses to seize these emerging opportunities.

## COOPERATION ► INDONESIA-AUSTRALIA BUSINESS PARTNERSHIP GROUP

The Indonesia-Australia Business Partnership Group (IA-BPG) is an important model for bilateral business cooperation. The group consists of the Indonesian Chamber of Commerce and Industry (KADIN), the Australian Chamber of Commerce and Industry, the Indonesia Australia Business Council and the Australia Indonesia Business Council. The IA-BPG, with funding from AusAID, developed a paper outlining joint business positions on the opportunities for greater trade,

investment and business cooperation; impediments to these opportunities; and how the IA-CEPA can facilitate two-way and joint business. The IA-BPG has been a unique feature in the inaugural phase of the IA-CEPA negotiations with Indonesia, enabling the two governments to look to businesses for early guidance on areas that require extra attention in order to boost bilateral trade. In this sense, it is a model for future Australia-Indonesia business partnerships.

# CONNECTING BUSINESS: PATHWAYS TO 2025

By 2025, Australia will build a stronger trade and investment partnership with Indonesia based on our complementary and common interests. We need to move beyond simply removing barriers and begin creating partnerships.

Reflecting public submissions and consultations, Australia will work to:

## AWARENESS

- Support a government-business dialogue to look at ways to build Indonesian capabilities and awareness of the country in the Australian business community.
- Better use business media to raise awareness of business opportunities in both countries.
- Promote two-way investment between Australia and Indonesia, including in regional areas, through an active program of investment promotion, delegation visits, investor matching and investor support in both countries.

## BUSINESS ENVIRONMENT AND OPPORTUNITIES

- Sustain a strong environment for trade and investment in both countries through new and existing bilateral, regional and multilateral forums and trade agreements, particularly the IA-CEPA.
- Help integrate Australian companies into emerging Indonesian supply chains for new consumer goods and services.

## FRAMEWORK AND PARTNERSHIPS

- Conclude the IA-CEPA and begin work on applying it for the benefit of both countries.
- Promote the IA-BPG as an important model of partnership and advocacy for businesses in Australia and Indonesia.
- Promote the integral role of business councils and chambers, including their role in providing supporting infrastructure for small to medium-sized entities to do business in Indonesia.

# CONNECTING GOVERNMENTS: WHAT WE ARE DOING

The relationship between the Australian and Indonesian governments is in good shape.

Connections between senior political leaders are close, with around 130 high-level visits between Australia and Indonesia from 2007 to 2012, equating to one ministerial visit every fortnight. The government-to-government 'architecture' involves annual meetings between leaders, and foreign, defence and trade ministers.

We cooperate on issues such as defence, counter-terrorism, law enforcement and irregular migration, including through the Bali Process.

Australian officials are developing solid Indonesian expertise. Commonwealth agencies are engaging closely with their Indonesian counterparts across diverse fields such as finance, health, law enforcement, climate change, defence, bureaucratic reform, law and justice, transport safety and security, education and skills, and agriculture. Australian officials are deployed across a range of counterpart agencies in Indonesia, fostering institutional and people-to-people links on the ground.

The Australian Embassy in Jakarta is our largest overseas mission, and many Australian Government departments also have a presence in Jakarta.

More Australian diplomats are proficient in Indonesian than any other language apart from French, which is an acknowledged language of international diplomacy.

State and territory governments have made significant forays into Indonesia in recent years. The Victorian Premier's 'super trade mission' to Indonesia in mid-2013 included senior cabinet members, officials and nearly 300 business representatives. The Queensland Government announced in June 2013 that it will soon open a trade and investment office in Jakarta. Similarly, other state and territory governments are actively looking at opportunities in Indonesia.

Australia and Indonesia have various sister state and city arrangements. The Western Australia-East Java and Queensland-Central Java sister-state, and the Darwin-Ambon sister-city relationships are good examples of regional government relationships. These involve economic, cultural and sporting exchanges, visits and links, including the annual Darwin to Ambon Yacht Race.

Local governments are increasingly exploring the opportunities offered by engaging with Indonesia, including the Launceston City Council, which recently sent its first ever delegation to Indonesia.

## COLLABORATION AUSTRALIAN FEDERAL POLICE

The Jakarta Centre for Law Enforcement Cooperation (JCLEC) is an Australian-Indonesian initiative which supports regional efforts to combat transnational crime, including terrorism. The JCLEC training facility is managed jointly by the Australian Federal Police and the Indonesian National Police, and provides

operational support and capacity building assistance to Indonesian and other regional law enforcement agencies in the Association of Southeast Asian Nations (ASEAN) region, in dealing with all aspects of transnational crime.

# CONNECTING GOVERNMENTS: WHAT WE NEED TO DO



Renewing the interagency Memoranda of Understanding between the Australian Academy of Science and the Indonesian Academy of Sciences in Jakarta, June 2013.

Credit: DFAT.

Towards 2025, we will need to consolidate gains made in building government-to-government architecture with Indonesia by substantially scaling up people-to-people engagement at all levels of governments – in a sense ‘populating the architecture’. This will allow us to embed the relationship as a strategic and complementary partnership.

## **COMMONWEALTH GOVERNMENT GOAL:**

Australian Government agencies will build close professional and working links with their Indonesian counterparts.

It will be crucial to continue regular leader-level meetings; combined foreign affairs and defence ministers’ meetings; and other regular and high-level bilateral meetings to maintain our productive relationship with the Indonesian Government.

With democratic governments in both countries, changes in government policy are to be expected. It is inevitable that from time to time there will be contentious issues in the relationship. This is normal between close neighbours.

Habits of consultation between our governments – including a policy of ‘no surprises’ – must be key elements in building a deeper and more strategic partnership with Indonesia at the government level.

We will need closer links between Australian and Indonesian officials, particularly at a working level. Training, exchanges, secondments and online tools will be critical for building these relationships. We will also promote Indonesian language capabilities across key government agencies.

As relationships between officials mature further, interaction between the Australian and Indonesian governments will become increasingly about mutual cooperation and partnership, focused on shared strategic, security and economic outcomes. Enhanced people-to-people links in government will improve communication and understanding, and contribute to stronger institutional partnerships. This will help ensure that transactional issues do not disproportionately affect the relationship.

The Australian Public Service (APS) Capability Review Program, Employee Census and Agency Survey provide an important opportunity to develop Asian capabilities among Australian officials. The APS Commission and its Indonesian counterpart, the Financial and Development Supervisory Agency, have also partnered to undertake a Capability Review Pilot in the Indonesian Ministry of Culture and Education during 2013. This will further develop institutional links.

Governments must raise awareness of the opportunities a modern Indonesia presents for Australia, and vice versa. Addressing this lack of information on contemporary cultures in both countries poses a major task for governments of all levels.

We need to ensure the broader community understands why Indonesia is a fundamental element in Australia's strategic defence, security and economic wellbeing, and what the Australian Government is doing to make this critical relationship a success.

**DIPLOMACY GOAL:** Australia's diplomatic network will have a stronger footprint in Indonesia.

Australia will need to continue strengthening its diplomatic footprint in Indonesia. To this end, we will open a new signature Embassy complex in Jakarta in 2016.

As soon as circumstances allow, Australia will also open an additional consulate, beyond Denpasar in Bali, in one of eastern Indonesia's regional centres so we can engage with this rapidly growing sub-region.

**STATE, TERRITORY AND LOCAL GOVERNMENT GOAL:** State, territory and local governments will have stronger relationships with their counterparts in Indonesia.

## PEOPLE LINKS TREASURY

Since 2007, the Commonwealth Treasury has developed a strong, collaborative relationship with the Indonesian Ministry of Finance, specifically the Ministry's Fiscal Policy Agency (FPA). Treasury now has three full-time officers in the FPA, who work cooperatively with local counterparts across a broad suite of economic policy issues, including taxation, infrastructure provision and financing, climate

change, international engagement and financial sector supervision. The partnership, funded by AusAID, reinforces the close bilateral ministerial contact that has been developed in regional forums such as the G20 and APEC. It also allows Indonesia's most senior economic ministers to request joint analytical work as needed.



Australian diplomat Adelle Neary on the set of *Asing Star* in Indonesia.

Credit: Gemma Deavin.



## IDOL DIPLOMACY SINGING DIPLOMATS

DFAT's Adelle Neary and AusAID's Jeremy Stringer, both diplomats in the Australian Embassy in Jakarta, became local celebrities in 2012 when they participated in *Asing Star*, Indonesia's version of *Australian Idol* for foreigners, a popular television program that requires competitors to sing in Indonesian. Graduates of the

Australian Consortium for In-Country Indonesian Studies (ACICIS) program, who studied Indonesian at universities in both countries, both diplomats appeared in two rounds, with Ms Neary appearing a third time, winning over fans with her fluent rendition of the ballad *Bengawan Solo*.

Towards 2025, state, territory and local governments will need to begin deepening their engagement with Indonesia, including building their capabilities in the same manner as their federal counterparts.

At all levels, governments need to be equipped to take advantage of the opportunities offered by Indonesia beyond 2025.

As part of this, we need to develop a network of sub-national relationships between Australia and Indonesia, including more vigorous sister-city and sister-state arrangements. These will help smaller local governments, businesses and communities forge practical and productive links with their counterparts in Indonesia.

Such networks will provide further depth to the government-to-government relationship as political and economic power in Indonesia continues to decentralise beyond Jakarta.

**“ We [Australia and Indonesia] can build on... powerful common interests, as we have in the past, through productive joint initiatives in regional commercial architecture and diplomacy, which in the process helps anchor our broader Asian engagement.”**

Submission by Professor Hal Hill, HW Arndt Professor of Southeast Asian Economies, Australian National University, May 2013.

# CONNECTING GOVERNMENTS: PATHWAYS TO 2025

Towards 2025, we will build the connections between people within our governments, and embed the architecture for our engagement beyond 2025.

Reflecting public submissions and consultations, Australia will work to:

## CAPABILITY

- Expand working links between Indonesian and Australian officials, including through exchanges, secondments and training, and develop and maintain a cross-agency group of 'Indonesia-literate' officials.
- Institute a whole-of-government working group on Indonesia, between Commonwealth, state and territory governments to ensure a coordinated approach.

## DIPLOMACY

- Open a new signature Embassy complex in Jakarta in 2016.
- As soon as circumstances allow, open an additional consulate in eastern Indonesia to ensure Australia is well positioned to engage the rapidly growing sub-region to our direct north.

## LINKS

- Help state and territory governments maintain and expand their network of trade offices in Indonesia.
- Sustain the tempo of high-level visits (as hosts and visitors to Indonesia) to ensure our leaders meet regularly.
- Broaden and promote sub-national relationships, including vigorous sister-city and sister-state arrangements between Australia and Indonesia.

## AWARENESS

- Work with the Indonesian Government and its diplomatic network in Australia to raise community awareness of existing extensive government-to-government cooperation and initiatives.
- Encourage community support for and understanding of strong bilateral ties.
- Continue to conduct regular country strategy update consultations.

## TRADE AGREEMENTS IN THE REGION

The ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) came into force on 1 January 2010. Covering 12 countries and more than 640 million people, with a combined GDP of US\$4 trillion, AANZFTA is the largest free trade agreement (FTA) Australia has entered into, and the most comprehensive FTA that ASEAN has signed.

In May 2013, negotiations commenced for a Regional Comprehensive Economic Partnership, which will build on AANZFTA to embrace the 10 ASEAN countries as well as Australia, China, India, Japan, New Zealand and the Republic of Korea. These 16 countries collectively accounted for around 48 per cent of the world's population and almost 30 per cent of global GDP in 2012.

# TOWARDS 2025: SOUTHEAST ASIA

Towards 2025, we will continue to reinforce our strong bilateral partnerships in Southeast Asia, as these are of vital importance to our national interests.

With a combined GDP of around \$3.6 trillion (purchasing power parity) and a population of more than 615 million, Southeast Asia includes some of the world's fastest growing economies and is an important market for Australia.

Australia's ties with Brunei Darussalam, Cambodia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam will be crucial for Australia's future in the Asian century. These countries, together with Indonesia, are members of the Association of Southeast Asian Nations (ASEAN) – the regional institution that has fostered stability and prosperity in Southeast Asia since its foundation in 1967. ASEAN's secretariat is headquartered in Jakarta.

In 2012, two-way trade in goods and services with ASEAN reached almost \$492 billion and accounted for almost 15 per cent of Australia's total trade. ASEAN now accounts for more of Australia's trade than any other single trading partner, except China.

ASEAN aims to accelerate economic growth, social progress and cultural development in the region, while promoting regional unity, peace and stability. As its first Dialogue Partner, Australia has a longstanding and deep relationship with ASEAN, involving cooperation in security, disaster relief and development, trade, education and culture. This enduring partnership will celebrate its 40th anniversary in 2014.

Australia works closely with ASEAN members and other regional partners through a range of forums, most notably the East Asia Summit (EAS) and APEC. The EAS is a regional leaders' forum for strategic dialogue and cooperation on key challenges facing the East Asian region. Membership of the EAS comprises the 10 ASEAN countries, Australia, China, India, Japan, New Zealand, the Republic of Korea, the United States and Russia.

The 18 EAS member countries collectively represent 55 per cent of the world's population and account for almost 55 per cent of global GDP. EAS countries receive three-quarters of Australia's total exports.

As the capital of Indonesia, Jakarta is a mega city of more than 12 million people. With a strategic location on the north-west coast of the island of Java, Jakarta is a dynamic international financial centre and also the administrative centre of Indonesia.



## CONTACT US

**Web** [www.dfat.gov.au/issues/asian-century](http://www.dfat.gov.au/issues/asian-century)

**Email** [asian.century@dfat.gov.au](mailto:asian.century@dfat.gov.au)

**Mail** **Australia in the Asian Century Implementation Unit**  
Department of Foreign Affairs and Trade  
R.G. Casey Building  
John McEwen Crescent  
BARTON ACT 0221

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