



Submission No 28

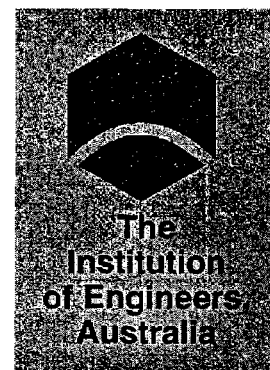
Inquiry into Australia's Relations with Indonesia

Organisation: The Institution of Engineers, Australia

Contact Person: Ms Leanne Hardwicke
Director, Public Policy and Representation

Address: Engineering House
11 National Circuit
BARTON ACT 2600

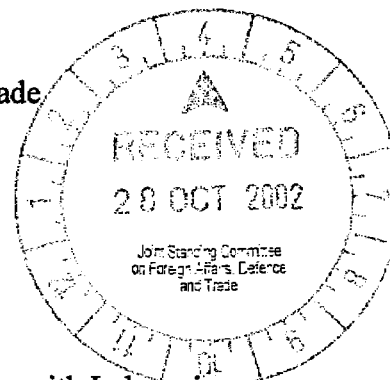




NATIONAL OFFICE

25 October 2002

Committee Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
Department of the House of Representatives
Parliament House
Canberra ACT 2600
AUSTRALIA



Response to Committee inquiry into Australia's relations with Indonesia:

The Institution of Engineers, Australia, (IEAust) is the peak body for engineering practitioners in Australia and represents all disciplines and branches of engineering. The IEAust has around 70 000 members Australia wide and is the largest and most diverse engineering association in Australia. All members of the IEAust are bound by a common commitment to promote engineering and facilitate its practice for the common good. The IEAust welcomes the opportunity to comment on Australia's relations with Indonesia.

While the political, strategic and cultural dimensions of the relationship between Australia and Indonesia are important generally, issues surrounding trade, particularly in professional services are imperative to the IEAust.

Indonesia already had a "high risk" foreign investment profile linked to concerns over the judicial system, security issues and conflicts over regional autonomy before the terrorist attack in Bali. These latest developments have the potential to significantly affect direct foreign investment. In Indonesia the economic consequences of the bombing are already being felt. A key meeting of Indonesia's main aid donor countries, known as the Consultative Group on Indonesia, has been rescheduled until early next year. Indonesia is also set to miss its projected 1.3 percent budget deficit for 2003.

Regardless of these changed circumstances Indonesia has an important role to play in the international economy. Australia is Indonesia's seventh largest trading partner while Indonesia was Australia's seventh trade in services partner in 2000. Almost 400 Australian companies maintain a presence in Indonesia. Over the past 5 years Australia's services exports rose by 43 percent with the major growth area being "other business services" characterised by research and development and engineering services. Export of engineering services has been measured by the Organisation for

Economic Cooperation and Development as having contributed \$497 million to the Australian economy in 1999-2000. Indonesia is a significant trade partner for Australia in this growing and lucrative area.

Australia and Indonesia are no different from other countries in having to come to terms with the globalisation of the labour market. Both Australia and Indonesia must adapt to the standards that exist offshore in order to remain competitive in the international labour market. Higher levels of mobility and expansion in the international delivery of professional services has led to increased numbers of professionals undertaking activities in countries other than that in which they gained their initial qualifications and experience. The provision of professional services between Indonesia and Australia is a growing trade area.

Technology has produced a globally available array of consumer goods and services, together with a flood of product standards and other consumer protection law. However, not only have developments proceeded much faster in some countries than others, but the substantive standards and rules adopted have varied widely. These variations can become effective barriers to global trade, and have worked to constrain trade in services between Australia and Indonesia.

The biggest barriers to trade in engineering services are non-tariff impediments. Barriers that exist in Indonesia include restrictions on foreign engineering firms in tendering for projects funded wholly from the Indonesian national budget, commercial presence requirements linked to joint ventures, accreditation requirements and difficulties in obtaining work permits.

In order for trade in services opportunities to be realised it is imperative that Australia remains part of the World Trade Organisation liberalisation of trade in services negotiations. It is also important that Australia enter into bilateral treaty arrangements as a means to deal with the more detailed trading issues that might arise between Australia and its trading partners, in this case Indonesia.

The IEAust believes that the Government needs to be more proactive in supporting the Australian push for export opportunities. In addition to "Government to Government" discussions to address market issues, the Australian Government must be prepared to use its leverage from other areas to ensure that Australia consortia gain off-shore work. In many situations it is essential that a high level Government representative, at ministerial level be present to provide support to Australian consortia. There must be a commitment from Government to support Australian initiatives in this manner and to encourage strategic alliances between Australian companies.

The IEAust was a founding member of the Washington Accord, an agreement between engineering accreditation bodies in Australia, Canada, Hong Kong SAR, Ireland, New Zealand, South Africa, United Kingdom, United States of America and Japan. The Accord recognises the equivalence of accreditation systems for the professional engineering degree in the signatory countries. The IEAust is also a member of the Engineers Mobility Forum, relating to mutual recognition of experienced practitioners. Both of these agreements are between professional engineering bodies. The IEAust is also closely involved with the APEC-Engineer

Register, recently inaugurated after several years of careful development. This is an inter-governmental agreement, seen as a major milestone in the international recognition of professional credentials by governments and in the removal of barriers to trade in professional services. The IEAust's membership of these agreements has actively created networks with counterpart bodies in Canada, Hong Kong China, Indonesia, Ireland, Japan, Korea, Malaysia, New Zealand, the Philippines, South Africa, Thailand, the United States, the United Kingdom, and Vietnam.

While the IEAust has created networks between Indonesia and Australia in engineering, the Australian government has a role to play in marketing, supporting and championing trade facilitation agreements and forums like the Washington Accord in "Government to Government" interactions. As the political relationship between Jakarta and Canberra improves trade in services should be a key consideration of any agenda passed between Australia and Indonesia.

I trust the above will be of assistance. If you would like further information please do not hesitate to contact me, or Policy Analyst, Ms Kathryn Hurford on (02) 6270 6570/khurford@ieaust.org.au.

Yours sincerely



Leanne Hardwicke
Director, Public Policy and Representation
Phone: 6270 6544
Email: lhardwicke@ieaust.org.au

