

PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

Report 183: Report of the Committee Visit to India and Indonesia

2 - 10 August 2018

Joint Standing Committee on Treaties

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Delegation members

Delegation chair

Hon Stuart Robert MP

Fadden, QLD

Members

Mrs Nola Marino MP

Forrest, TAS

Hon Michael Danby MP

Melbourne Ports, VIC

Delegation secretary

Ms Lynley Ducker

1. Introduction

- 1.1 This report gives an account of the delegation of the Joint Standing Committee on Treaties (JSCOT) to India and Indonesia from 1 – 10 August 2018.
- 1.2 Chapter 2 discusses the meetings held in Delhi from 2 – 5 August. Chapter 3 discusses the meetings held in Mumbai on 6 August. Chapter 4 discusses the meetings held in Jakarta on 8 – 10 August.
- 1.3 Appendix A contains the delegation program.

Aims and objectives

- 1.4 This delegation builds on JSCOT's role in examining treaties presented to Parliament. Over the 22 years of JSCOT's operation, several themes have emerged from inquiries into trade and economic cooperation agreements.
- 1.5 Australia is currently negotiating trade agreements with both India and Indonesia. As a result, JSCOT believed the delegation would enhance its ability to examine these treaties—and other trade agreements—in any future inquiry.
- 1.6 The aims and objectives of this delegation were to:
 - Inquire into the challenges and rewards of Australian businesses accessing, or attempting to access, the Indian and Indonesian markets.
 - Examine the broader economic context of both India and Indonesia, including opportunities for Australian further investment and trade.
 - Obtain detailed information on the perspectives of both the Indian and Indonesian executive government.
 - Examine the mechanisms for parliamentary oversight of treaties, trade and foreign affairs.

- Identify successful examples of Australian businesses in Indonesian and Indian markets and ascertain the factors or criteria that contributed to their success.

Outcomes

- 1.7 The delegation's objectives were met. Discussions with a broad range of government, parliamentary, and local and Australian businesses gave the delegation a nuanced picture of the trade and investment relationships in both countries.

India

- 1.8 The delegation had expected India to be multifaceted and complex. Even so, the delegation was struck by the sheer scale of the Indian economy, by the complicated regulatory environment, and by the cultural and economic differences across the states. This complicated political and economic environment underpinned everything the delegation saw and heard. It also made sense of the slow pace of formal trade agreements and explained how the complexity requires a careful process of negotiations.
- 1.9 The delegation can see that the opportunities in India for mutual benefit are great and growing. JSCOT now has a much better understanding of both the trade agreement process, and the steps that will be required before Australian businesses can really take full advantage of the opportunities in India. In the meantime however, the delegation considers that there are some practical steps in facilitating visas, improving aviation links and expanding the New Colombo Plan program. These are discussed further in the report.
- 1.10 The delegation was greatly assisted by the April 2018 release of the India Economic Strategy report to government.¹ This report was both an important source of information for the delegation and a topic of discussion. The feedback received by the delegation on this document was very positive, and the delegation looks forward to the government response.

Indonesia

- 1.11 Indonesia gave the delegation a different perspective on Australia's international trade relationships. The delegation is pleased to see that since

¹ P. Varghese, *An India Economic Strategy to 2035: Navigating from potential to delivery*, Canberra, 2018.

its visit, Australia and Indonesia have successfully concluded negotiations on the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA). It is clear that there is potential to strengthen our economic and security cooperation with one of our major trading partners.

- 1.12 Indonesia as a country has tremendous potential for economic growth. The delegation was particularly pleased to see the New Colombo Plan scholars, and the growth of the close person to person links to match our strong links in security, tourism and education.

Acknowledgements

- 1.13 The delegation would like to thank the exceptional support provided by DFAT officers at each location. These officers provided comprehensive briefings and impeccable logistical assistance. The delegation greatly appreciates the effort that went into creating such a productive and seamless visit. The delegation would not have been able to achieve its aims without the exemplary professional support of DFAT in each of the three cities.
- 1.14 The delegation would also like to thank everyone who made the time to meet the delegation, and the warm hospitality the delegation was shown on many occasions. The delegation appreciates not just the expertise but also the candour and frank assessments of everyone they spoke to.
- 1.15 It was a great privilege for the delegation to travel and engage at a personal level with a wide variety of people and organisations. The delegation not only learnt about India and Indonesia, but also had the opportunity to explain their parliamentary role, and the important oversight conducted by JSCOT.

2. Delhi

Background

- 2.1 New Delhi is the capital of India and the seat of the Government of India. New Delhi sits within the National Capital Territory (NCT) of Delhi. The NCT has an estimated population of 24 million.
- 2.2 Australia has had its High Commission to India in New Delhi since 1943, and it remains one of Australia's larger overseas posts. The delegation would like to thank Deputy High Commissioner Mr Rod Hilton and his staff for the assistance provided during the delegation's visit.

Think tank roundtable

- 2.3 The Australian High Commission hosted a think tank roundtable for the delegation on trade and investment. This roundtable gave the delegation an overview of the breadth of Indian economic and trade relationships.
- 2.4 The participants in the roundtable were:
 - Dr Ram Upendra Das, Head & Professor, Centre for Regional Trade
 - Dr James J Nedumpara, Head & Professor, Centre for Trade & Investment Law
 - Ms Shiny Pradeep, Assistant Professor, Centre for Trade & Investment Law
 - Ms Deepali Kanwar, Research Fellow, Centre for Regional Trade
 - Mr Koustuv Kakati, Head Regulator Affairs (Trade & Economy) Tata Steel
 - Ms Aparajita Agarwal, Regulatory Affairs (Trade & Economy) Tata Steel
 - Mr Mohit Bansal, Associate Director, Public Policy, Amazon.

- 2.5 The roundtable discussed the impact or potential impact of free trade agreements already in place or under negotiation; including the Regional Comprehensive Economic Partnership (RCEP). The representatives of Tata Steel provided some insight into the effect of international agreements on the steel sector.
- 2.6 Non-tariff barriers for importing and exporting products between Australia and India were also discussed. The roundtable emphasised the wide differences in India between the various geographic and sector-based markets, and the need for any business considering entering those markets to be fully informed.
- 2.7 The delegation was interested to hear about the experience of Amazon in creating a marketplace-only model in India that currently has more than 300,000 sellers using their platform. The roundtable discussed the challenges of ecommerce platforms in India; from the large number of players to the changing buying habits of the public. Major barriers include the degree of internet connectivity and a lack of access to a digital payment system.

Food retail outlets

- 2.8 In order to understand the wide variety of Indian food retail, the delegation visited three nearby shopping environments; a local street, a shopping centre specialising in imported goods and a very high end retail mall selling luxury food items.
- 2.9 The first shops are the type that are normally visited on a daily basis by nearby households, and sell fresh food and bulk dry goods for immediate preparation and consumption. The second set of shops contained a wide array of imported foods from all over the world, including Australia, which were significantly more expensive than the local food. Most of the imported goods were shelf-stable, although there were some fresh and refrigerated products. The third shops provided luxury goods, including a range of fresh fruit and vegetables, at premium prices.
- 2.10 The delegation was interested to see the price differences, compare the costs of the food to similar stores in Australia, and to hear about the target markets for each of these types of shops.



Mrs Nola Marino MP and Mr Mark Morley, Senior Trade Commissioner, locate Australian dairy produce

Lok Sabha

2.11 The Indian Parliament is bicameral, consisting of the 545-member Lok Sabha ('people's' or lower house) and 245-member Rajya Sabha ('states' or upper house). Lok Sabha members are elected by universal adult suffrage every five years (except for two nominated Anglo-Indian members) using the 'first past the post' voting system. The next election is due in April or May 2019.

Lok Sabha in session

2.12 The delegation was able to attend a session of the Lok Sabha. The lively debate concerned a proposed amendment to the Constitution—the Constitution (One Hundred and Twenty-Third) Amendment Bill. This Bill sought to grant constitutional status to the National Commission on Backward Classes (NCBC). Other Backward Class is a collective term used by the Government of India to classify castes which are socially, educationally or economically disadvantaged.

- 2.13 The delegation was interested to see and hear the varying positions put on this Bill, and the proposed approaches to addressing disadvantage in India.

Standing Committee on External Affairs

- 2.14 The delegation met with the Indian Parliament's Standing Committee on External Affairs. This is a joint Committee, made up of 21 members from the Lok Sabha and 10 members from the Rajya Sabha. The Committee reviews the work of the Ministry of External Affairs, including large policy documents, and any relevant bills referred to it by the Parliament.
- 2.15 The delegation and the Committee discussed the common ground between India and Australia in international relations, and the importance of shared democratic values. The meeting discussed the global importance of security issues; with the delegation emphasising the bipartisan support in Australia for improving security.



The delegation enjoys afternoon tea with members of the Standing Committee on External Affairs, including Chairman Dr Sashi Tharoor (centre)

- 2.16 The meeting also discussed issues of trade agreements and tariffs; although the Committee on External Affairs noted that it does not have a formal view on these issues which are the primary responsibility of the Standing Committee on Commerce. However trade is necessarily important to external affairs, and the meeting discussed the positioning of Australia and

India in trade relationships with such major global powers as the EU and China.

- 2.17 The delegation would like to acknowledge the frank and open discussion led by the Chairman, Dr Sashi Tharoor; and greatly appreciates the number of Committee members who took the time from their parliamentary day to talk to the delegation.

Standing Committee on Commerce

- 2.18 The delegation met with the Indian Parliament's Standing Committee on Commerce. This is a joint Committee, made up of 21 members from the Lok Sabha and 10 members from the Rajya Sabha. The Committee oversees the work of the Department of Commerce and related organisations.



Members of the Standing Committee on Commerce listening to Mr Robert during the meeting

- 2.19 The meeting discussed the recent report to the Australian Government: *An India Economic Strategy to 2035*.¹ The Standing Committee was interested in the report and looked forward to the Australian Government's response.
- 2.20 The meeting also discussed the recent foreign direct investment (FDI) reforms introduced by Prime Minister Modi. The Committee's view is that

¹ P. Varghese, *An India Economic Strategy to 2035: Navigating from potential to delivery*, Canberra, 2018.

this has opened up markets that may lead to increased Australian business investment in India; particularly in relation to food processing and healthcare.

- 2.21 Opportunities for further collaboration in the education sector were also discussed. One area for potential growth is the provision of higher education by Australian institutions in India. The meeting also talked about the potential for providing secondary and even primary schooling to utilise Australia's expertise in education provision.
- 2.22 The delegation emphasised the importance of an overarching free trade agreement to put in place a framework for opportunities for investment, to provide certainty and to lessen risk for businesses in both countries.

United States of America Independence Day Reception

- 2.23 The delegation was pleased to accept an invitation to attend the belated USA Independence Day celebrations. This reception gave the delegation the opportunity to talk to a broad range of US diplomatic and military personnel, as well as many representatives of the business community in New Delhi.

International Solar Alliance

- 2.24 In November 2107, JSCOT concluded its inquiry into the agreement to establish the International Solar Alliance (ISA). JSCOT saw a number of benefits of supporting the ISA and recommended that binding treaty action be taken.²
- 2.25 Given this recent inquiry, the delegation was very pleased to be able to visit the premises of the ISA in Gurugram, on ISA's five acre campus. The delegation met with Mr Upendra Tripathy, the Interim Director General, Mr P. S. Ananda Rao, Director, Mr Naresh Mehta, Consultant, and Mr Rajeev Gyani, Consultant.
- 2.26 The Director General provided the delegation with an informative overview of the work of the ISA in improving the use of solar energy in solar resource rich countries by collaborating and sharing improvements in technology.
- 2.27 The meeting discussed the ISA's focus on moving reliance from public funds and involving industry in increased solar energy generation. The delegation

² Joint Standing Committee on Treaties, *Report 175*, 2017, Canberra, p. 26.

was able to expand on Australia's experience in household solar generation, and the importance of engaging both research institutions and the private sector.



Director-General Mr Tripathy and Mr Robert at the ISA offices

2.28 The delegation was interested in hearing about the limitations on solar energy around storage, and recent advances in storage technology. The possible future social and economic ramifications of increased solar energy use were also discussed; including the necessity for ongoing maintenance of solar generators and the potential for deterioration of nationwide energy infrastructure.

CQ University

2.29 The delegation met with Mr Sumit Aggarwal, Regional Director of the South Asia Office of CQUniversity at its premises in Gurugram. CQUniversity has had an office in India since 2003, and employs 65 people assisting prospective Indian students to study at CQUniversity's campuses in Australia.

- 2.30 The delegation was very interested in the comprehensive overview of the Indian student experience provided by Mr Aggarwal, who has worked for CQUniversity for 21 years in both India and Australia. CQUniversity does three intakes a year, with 3100 students gaining study visas last year.
- 2.31 CQUniversity was one of two pilot universities for changes to the visa program that has resulted in a large growth of student applications, and also a very high visa application success rate. Mr Aggarwal advised that almost all applications are done through agents, and his office has been able to work with agents to improve the quality of applications and supporting documentation.
- 2.32 The meeting discussed the main study areas for Indian students in Australia; IT, engineering and business are the largest areas for study in both Australia and for Indian students around the world. Australia is seen as a quality education destination, although the cost of living is higher than the USA or Canada. Although CQUniversity has many campuses across Australia, Melbourne is the preferred destination for Indian students.
- 2.33 Mr Aggarwal described the factors that cause growth or decline in student numbers, noting the detrimental impact of the global financial crisis that led to a drop in the market in 2010-12.
- 2.34 The meeting discussed the impact of the two-year post study visa, and the valuable contribution this made to the student's employability in India, or for future multinational corporations.

Minister of State for Commerce and Industry

- 2.35 The delegation met with the Hon Minister of State for Commerce and Industry, Mr C. R. Chaudhary. The Minister gave an overview of the good relationships between the two countries, and the potential for increasing the trade in both goods and services between the two countries.
- 2.36 Mr Chaudhary outlined the recent reforms by Prime Minister Modi, and the increasingly liberal attitude to foreign investment and foreign industry in India. The Minister asked the delegation to urge Australian businesses to invest in India, where they would be most welcome.
- 2.37 The meeting discussed various specific issues that affected commercial relationships between the two countries; including visas, double taxation and specific tariff increases.



The delegation with Minister Chaudhary

- 2.38 The delegation made particular mention of the bipartisan nature of the delegation and the bipartisan commitment to the future relationship with India.
- 2.39 The meeting discussed the future of a free trade agreement between Australia and India. The Minister proposed moving forward to resolve specific issues as they arise, rather than waiting for a complete agreement, which may take some time. Some of the changes proposed in the India Economic Strategy could be examples of resolving specific issues in the short term, pending the Australian Government's response to that report.

Roundtable with New Colombo Plan and Australia-India Youth Forum Students

- 2.40 The delegation was delighted to participate in a roundtable with six Indian students from the Australia-India Youth Forum, and three Australian students in India as part of the New Colombo Plan.

- 2.41 The Indian students were studying a variety of courses including political science and international relations. They were all enthusiastic supporters of closer Australia-India relations and active participants in the Youth Forum.
- 2.42 The delegation was interested to hear what the students thought the Australian Government could do to improve the person-to-person links between the two countries, and to heighten the public awareness of Australia more generally. The students suggested a cultural centre that was easily accessible to Indian young people with cultural events and planned outreach. Another option was a parliamentary India-Australia friendship group that could engage with young people. The students pointed out that there are parliamentarians in their forum alumni.
- 2.43 The Youth Forum representatives were also able to explain to the delegation the widely varying attitudes held by young people in India towards environmental issues, which are less focussed on energy generation and more on the immediate quality of the water and air. The empowerment of young women will also be important to India's progress in the future.
- 2.44 The three New Colombo Plan Scholars gave the delegation their views on the Plan and advice for future Scholars. They emphasised it was important to learn about India, and to recognise how different it was to studying in Australia. All three agreed that it was critically important to be working and living alongside local students to create the aimed-for person to person links. It was also vital to be in the country for a minimum of a semester. The Scholars also agreed that studying in India was not necessarily in the front of Australian students' minds during their studies, and more should be done to publicise the program.
- 2.45 The delegation would like to thank the students for their informative and candid participation in the roundtable:

Australia-India Youth Forum

- Ms Sanjana Lal
 - Ms Garima Bisen
 - Ms Neha Goyal
 - Ms Stuti Narula
 - Ms Suzzane Zerine
 - Ms Saloni Singh
-
- *New Colombo Plan Scholars*
 - Mr Geoffrey Flugge

- Mr Nicholas McConville
- Mr Zachary Wolff.

Dinner with business representatives

- 2.46 The Acting High Commissioner, Mr Rod Hilton, hosted a dinner where the delegation was able to meet representatives of commerce and industry, including Australian businesses operating in India.
- 2.47 The delegation greatly appreciated the opportunity to discuss the economic relationship between India and Australia in a less formal setting. It was very informative to hear about the actual experience of Australian businesses in India, and to engage with the expertise of the guests.

National Gallery of Modern Art

- 2.48 The National Gallery of Modern Art is currently showing the exhibition *Indigenous Australia: Masterworks from the National Gallery of Australia*. This travelling exhibition, which has been open since 15 June 2018, shows significant works produced by Australian Aboriginal and Torres Strait Islander artists from the late 1800s through to today from the National Gallery of Australia's collection.
- 2.49 The delegation was very pleased to be shown around this exhibition by Mr Adwaita Gadanayak, Director General of the National Gallery of Modern Art. The exhibition has provoked some interest in India, where there is very little general awareness of Australian indigenous art. The delegation was informed that, in general, the public and critics have been surprised by the breadth and range of the artworks over such a significant period of time.
- 2.50 The delegation was also given an opportunity to see part of the Gallery's permanent collection. This was a fascinating insight into Indian Modern Art that the delegation greatly appreciated.



The delegation with Director General Mr Gadanayak

3. Mumbai

Overview

- 3.1 Mumbai is the capital city of the Indian state of Maharashtra, with a population of over 20 million in greater Mumbai. It is the financial and commercial capital of India, and houses the major financial institutions. Australia recognises the commercial importance of Mumbai by the presence of an Australian Consulate. The delegation would like to thank Mr Tony Huber, Consul-General, and his staff for their assistance during the visit.

Trade and investment office representatives

- 3.2 The delegation had a breakfast meeting with three representatives from Australian trade and investment offices; Mr Rohit Manchanda, New South Wales Trade and Investment Commissioner, Mr Rahul Ranjan, Investment Manager South Australia and Mr Samar Chokshi, Industry Servicing Manager, Tourism Australia.
- 3.3 The delegation heard about the different priorities for the three offices. South Australia is interested in technology and investment as its first priorities, followed by food and wine. The New South Wales representative said that education was an important sector, particularly publicising the quality of Australian education. The Indian market still perceived USA universities to be the premium higher education product. Although the representative from Western Australia could not attend, the delegation heard that their priority is commercial and shipping matters, with the representative spending a lot of time in Hyderabad.
- 3.4 Tourism Australia has a staff of seven people in Mumbai, and visitor numbers have already exceeded the 500,000 visitors per annum target. The

new target is now one million Indian visitors in 2025, and Mr Chokshi was confident it will be reached. All the representatives saw the need for more direct flights between India and Australia; not just for passengers and tourism but also for freight. Both Air India and Jet are currently taking delivery of more planes that will increase their capacity.

- 3.5 Another area that would improve both tourism and commercial links is easier visa access. Although the representatives agreed that this has improved in recent years, the online system is still underutilised and not well publicised in the Indian community.
- 3.6 The delegation considers that one suggestion is worthy of further government consideration; the introduction of a family application process for tourism visas. This would allow families to apply for a visa as a group, with a single fee, simplifying and speeding up the visa process.

Macquarie

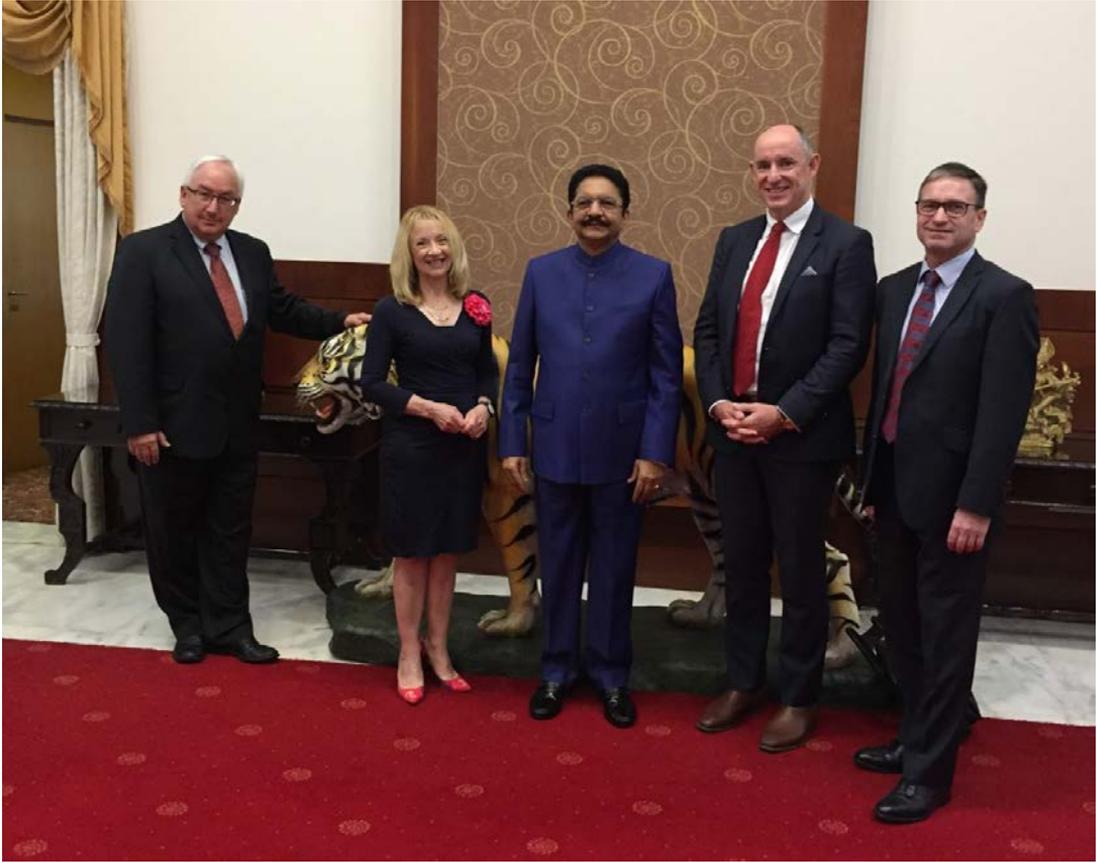
- 3.7 Macquarie Infrastructure and Real Assets (India) Private Limited is the Indian arm of the global Macquarie Infrastructure and Real Assets, the world's largest infrastructure asset manager, and a member of the Macquarie group of companies. The delegation met with Mr Suresh Goyal, India Country Head & Executive Director; Mr Sandeep Bhatia, Managing Director and Head of India Equities, and Mr Inderjeet Singh Bhatia, Associate Director and Head of Research.
- 3.8 The meeting discussed general issues of the Indian economy, in particular the effects of recent economic structural change. The recent demonetisation and the introduction of a GST has begun to limit the operation of the informal economy, and increased the available tax base. This not only improves India's overall economic growth but provides the backbone for the state to provide more services, which in turn should increase the willingness of citizens to pay taxes.
- 3.9 Macquarie is one of the most successful Australian businesses in India. The delegation was very interested to hear how Macquarie has structured its Toll-Operate-Transfer contract with the National Highways Authority of India to operate toll roads. Under this arrangement, the assets are transferred to an operator for 30 years, which maintains and repairs the roads, collects the tolls, and then transfers it back to the government.
- 3.10 It is clear that it is possible for Australian companies to make profitable investments in India under certain conditions. Mr Goyal also emphasised

that this investment is an improvement to Indian infrastructure from which the Indian public will eventually benefit.

- 3.11 The challenges for Australian investment in India were also discussed. Mr Goyal advised that after the global financial crisis, capital came into India without proper management or local partnership, and performed poorly as a result. Although this may have led to a negative view of India as an investment destination, it no longer reflects the reality. Although there are still underperforming assets in the Indian system, the role of the public sector in propping up institutions is changing and reducing. This has been assisted by reform to the bankruptcy laws.
- 3.12 The meeting discussed the perception of India held by Australian businesses, which tend to make assumptions that have been successful in investing in China over the past decades. However India is a very diverse market; with the representatives from Macquarie suggesting it is more like investing in the European Union—with all its divergent markets—than in a single centrally-controlled country like China.

Governor of Maharashtra

- 3.13 The delegation, with Mr Huber met Mr C Vidya Sagar Rao, the Honourable Governor of Maharashtra at his residence at Raj Bhavan (Government House) on Malabar Point, Mumbai.
- 3.14 The State of Maharashtra is the third largest by area, and second largest by population in India. It also has the largest state economy in India, contributing nearly a quarter of India's GDP. With this background, His Excellency talked about the good relationships between Maharashtra and Australia, and the opportunities for shared business ventures and mutual tourism. The meeting discussed the importance of more direct flights to increase both tourism and commercial opportunities.



The delegation with Governor Rao and Consul-General Huber

- 3.15 The meeting discussed recent successful initiatives such as the Australian Business Week in India. This event was held in June 2018 with the aim of connecting Australian businesses with contacts in India. The Consul-General updated the Governor on upcoming Australian business delegations relating to financial services. His Excellency emphasised the experience, knowledge and innovative capacity of Maharashtra; including universities and agricultural research.
- 3.16 After the formal part of the meeting, the delegation was delighted to be given a tour of a recently excavated British bunker. The bunker, which is over 5 000 square feet and contains 13 rooms, had been built in about 1907, and bricked up after Independence. After the Governor was made aware of rumours of the bunker's existence, he had the entrances located, with workers breaking through a brick wall to find the underground rooms in 2016.



The entrance to the bunker that had been hidden behind vegetation for over a century

3.17 The delegation walked through the bunker, which still has ventilation and drainage systems and a number of entrances to different points in the grounds. The Governor explained the significant historical importance of the site, and his plans for allowing tourists to visit.

Australian Financial Services

3.18 In order to understand the environment of Australian financial services operating in India, the delegation had lunch with three representatives of Australian banks; Mr Nilanjan Bhattacharya, Country Head Westpac, Mr Sanjeev Baja, Chief Executive Officer ANZ, and Mr Rajeev Bhargava, General Manager NAB.

3.19 The discussion over lunch was informative and interesting. It is clear that there is a great deal of scope for financial services in India, but that the Australian model may need adjusting to ensure that Australian financial services can be profitable in India.

3.20 The delegation greatly appreciated the candid and expert assessment of the banking representatives.

IITB-Monash Research Academy

3.21 Established in 2008, the IITB-Monash Research Academy is a collaboration between the Indian Institute of Technology Bombay (IITB) and Monash University. The 50/50 joint venture is a not-for-profit independent organisation that currently has 183 PhD students. The aim is to provide an industry-focussed PhD program that creates workforce-ready graduates.



The delegation with Professor Sastry

3.22 Professor Murali Sastry, CEO, explained the background of the Academy to the delegation. A joint venture was required as India does not allow foreign companies to provide higher education. However a joint venture structure brings significant benefits to both parties; Monash obtains access to quality PhD students and Indian industries, whereas IITB is able to retain PhD students in India while giving them increased international exposure.

3.23 Under the program, students spend three years at IITB and a minimum of one year at Monash. The focus is on real-world industry problems, and the students are also provided assistance and training in entrepreneurship and

start-ups. There are currently 26 patents in various stages of filing, and two existing license agreements.

- 3.24 The meeting discussed some of the challenges faced by the Academy. These include delays in visa processing, particularly in relation to studies which may have a potential national security implication, such as chemical engineering. This can have a negative impact on the students who often carry out long-term experiments and need certainty for planning their studies.
- 3.25 The delegation was very pleased to have the opportunity to speak with over a dozen current students and hear about their research. The topics were a fascinating cross-section of the work of the Academy; ranging across such topics as child malnutrition, treatment of municipal solid waste, extraction of proteins from agricultural residue, organic semiconductors and carbon capture and storage. It is clear that these students and their research have the ability to solve some of the most critical problems facing the world in the 21st century.

Australian business representatives

- 3.26 The delegation met with three representatives of Australian businesses in Mumbai over dinner; Mr Abizer Merchant, Director South Asia, Macquarie University; Mr Kanishk Kumar, Vice President of Sales, Catapult; and Mr V V Benugopal, Country Manager, Linfox.
- 3.27 The group discussed the challenges of expanding an Australian business into India; including regulatory, political, and cultural differences. All three emphasised the importance of clarifying and focussing on your target market, and acknowledging the diverse nature of India as part of preliminary business planning.
- 3.28 The representatives were largely optimistic about the future of the Indian economy, and spoke positively about the recent reforms. They see that there is a great deal of scope for improving the business links between the two countries, although the complexities of a formal free trade agreement may not be resolved in the short term.

4. Jakarta

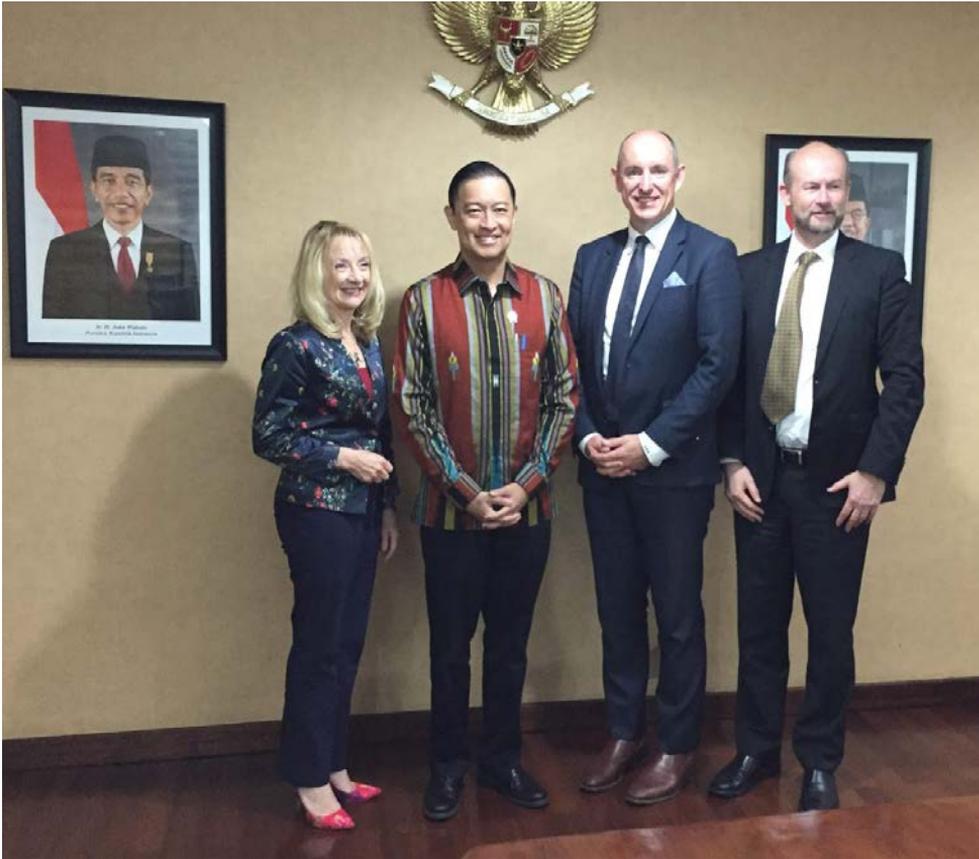
Overview

- 4.1 Australia has strong and productive links with Indonesia in many areas including trade, security, investment, tourism and education. However despite the physical proximity, Indonesia was only Australia's 13th largest trading partner in 2017. There are many opportunities for closer economic links between the two countries, and the delegation looks forward to the finalisation of the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) and the subsequent JSCOT inquiry.
- 4.2 The delegation would like to thank Ambassador Gary Quinlan AO and his staff for the expert advice and support during this visit.

Meeting with HE Mr Thomas Lembong

- 4.3 The delegation met with HE Mr Thomas Lembong, the Head of Investment Coordinating Board of the Republic of Indonesia. Mr Lembong has previously served as Indonesian Minister of Trade, after a successful business career.
- 4.4 Mr Lembong expressed his enthusiasm for the IA-CEPA, which is nearing the end of negotiations. However he pointed out that both the government and businesses were already thinking about the next areas to improve economic relationships between the two countries; for example air services agreements or working more closely with northern Australia.
- 4.5 Mr Lembong talked about the development opportunities for Australian businesses in Indonesia, and the need to remove misconceptions that may exist. One particular area of interest is investment in training and skills transfer to enable Indonesian businesses to develop.

- 4.6 The delegation was interested to hear about Indonesia's key role in ASEAN, and how finalising the IA-CEPA is an important signal to send to other ASEAN countries. The meeting agreed that adopting the current worldwide tendency to protectionist trade measures would not be in the economic or security interests of either Indonesia or Australia. It was also agreed that an important role for politicians was to tell the story of the benefits of global trade to all people; not just those who are already commercially literate.



Delegation with Mr Lembong and Deputy Ambassador Allaster Cox

- 4.7 In discussing future opportunities, Mr Lembong thought that Australia had a comparative advantage in design, systems and management that would enable it to sell services in training others, and improving existing business efficiency in Indonesia.
- 4.8 Mr Lembong also pointed out that Indonesia's future in developing advanced manufacturing depended on both technical factors, such as increased streamlining of processes, and cultural factors, such as improving women's workforce participation.

Business lunch

- 4.9 The delegation was pleased to meet and talk to a variety of Australian and Indonesian representatives of a range of businesses over lunch, hosted by Ms Sally-Ann Watts, Senior Trade Commissioner, Austrade.
- 4.10 Guests at the lunch were:
- Ms Valeska, Country Director, Meat and Livestock Australia
 - Mr Shaun Wellbourne-Wood, Managing Director, Saksara
 - Ms Thea Sianipar, VP Commercial, BlueScope
 - Ms Bernadette Muljohardjo, Country Representative, Qantas
 - Mr Noke Kiroyan, President, Indonesia Australian Business Council
 - Mr Scott O'Brien, Executive Vice President, Polymer Connected
 - Mr Vishnu Shahaney, CEO, ANZ
 - Ms Diane Jungmann, OF Counsel, Norton Rose Fulbright Australia
 - Professor Simon Leunig, Associate DVCI, Curtin University.
- 4.11 The delegation was interested to hear about the variety of experiences at the table ranging from a new company start-up in Indonesia to expanding an established brand into new Indonesian markets. The group emphasised the importance of cultural differences and personal connections when establishing a new business. They also noted that Australian businesses can have misconceptions and false perceptions of Indonesia that are more limiting than the reality.
- 4.12 The delegation was interested to hear about regulatory barriers to trade; such as the requirement to hold data on-shore that had caused difficulties for ANZ. A number of other reasons were given as to why more Australian businesses aren't investing in Indonesia, including a hesitance to work with state-owned enterprises, particularly in relation to infrastructure; the lack of openness to the private sector by Indonesian government generally; and also that Australian businesses often simply do not know about opportunities in Indonesia.
- 4.13 Many representatives spoke of the need for the Australian business community in Indonesia to support each other and speak as one voice on issues affecting trade and investment.
- 4.14 One issue that the delegation felt was worth immediate consideration by the government was the cost of a tourism visa to Australia. As Indonesians tend to do shorter holidays, it is a very price-sensitive market, and the cost of visas can be a deciding factor for families. One option is to have a single visa

for a family on holiday, with a single lower cost than multiple individual visas.

Telkomtelstra

- 4.15 Telkomtelstra is a joint venture between PT. Telekomunikasi Indonesia (Telkom Indonesia), Indonesia's largest telecommunications operator and only state-owned telecommunications enterprise, and Telstra Corporation Limited (Telstra). The joint venture started in 2014, and offers end-to-end managed ICT solutions. Telkomtelstra currently has a staff of 180.
- 4.16 The delegation was very interested to hear about the aims of this joint venture from Mr Ernest Hutagalung, Chief Financial Officer, Mr Mark Howard, General Manager Product Management and Mr Tony Czipak, General Manager Customer Excellence. Telkomtelstra is a new, comprehensive, management solution for ICT services in Indonesia and aims to provide completely outsourced services.
- 4.17 This is a new concept for Indonesian enterprises, which are more accustomed to having in-house ICT services with a 'do-it-yourself' mentality. Telkomtelstra considers there is a great deal of scope in the market for their services; particularly in tailoring options for specific clients. The joint venture means that Telkomtelstra uses the Telkom Indonesia core, allowing Telkomtelstra to manage cloud, security and network services for a client.
- 4.18 The delegation had a tour of the new customer experience centre aimed at corporate clients; where potential clients can experience the available services in a home, office and retail setting. The delegation also saw examples of the National Operations Centre management, solutions for remote working, and cloud-based data storage solutions. Hybrid solutions allow clients to store data in country where required by Indonesian law.
- 4.19 After the tour, the meeting discussed the advantages of the joint venture, and how it worked in practice. The delegation heard that the relationship between the two joint venture partners was broader than just Telkomtelstra, with senior executives of both organisations spending time working for each other. Both organisations can be a source of potential clients. In accordance with Indonesian law, Telstra owns a minority of the joint venture but has greater management control.
- 4.20 The delegation was interested to hear the advice they would give to any companies considering a joint venture between Australian and Indonesian

businesses. The executives agreed that it was essential to ensure that the market was sufficiently mature for the services that were under consideration. For example, the Indonesian market has not been as advanced as Australia in recognising the potential risks of ICT security. Therefore it has taken more time than anticipated for those services—particularly premium services—to be valued. In general, adoption rates for new ideas are slow.

- 4.21 Licensing can also be time-consuming and complex; for example registering a product for sale. Finding high quality staff in specific areas can sometimes be challenging; recruitment can take longer as the volume of applications does not always match the depth of the talent. Quality legal advice is also essential, although it can be expensive. Overall, it is important to commit to the long term, and remain culturally aware and open-minded.

Fresh Market PIK

- 4.22 In order to further understand the food supply chain in Indonesia, the delegation visited the Fresh Market Pantai Indah Kapuk (PIK) in North Jakarta. This modern fresh food market includes both a wet market that provides mostly raw ingredients and is busiest in the morning, and a food plaza with prepared food.
- 4.23 All of the produce and meat is sold without refrigeration, and is normally consumed within the same day. There was a great variety of fruit and vegetables on sale, and a large meat market selling beef, chicken, fish and seafood. There were also pork products for sale, in a separate enclosed part of the market.



Mrs Marino inspecting beef products for sale

- 4.24 The majority of the produce was local, although there were some imported Australian products. The PIK market is a destination market that residents will travel to, as it is considered to contain quality and safe products.

TUM Pt

- 4.25 The delegation then visited the cattle feedlot of TUM in North Jakarta. Mr Wilson Hasan explained the background of his family's business, which had originally begun as a piggery. In 1998, the business changed to cattle, first trading in cattle then in 2003 moving to also feeding the cattle before sale. TUM also imports cattle from Australia, although the introduction of Indonesian government quotas has reduced the level of imports considerably since 2011.
- 4.26 Mr Hasan explained that the business sells about 150 cattle per day via agents and through the local wet market system, entirely for local domestic consumption.

- 4.27 The generally nationalistic approach to the regulation of food production has a significant impact on his business; with quotas and price controls attempting to regulate all primary foodstuffs, including beef, to create food security in Indonesia. For example, in order to improve the genetic quality of local beef, the government has mandated that for every five feeder cattle that are imported, there has to be one breeder cattle that has to be held for 2 years. This does not necessarily fit with TUM's business model, which is designed to sell rather than breed.
- 4.28 Government intervention is also noticeable in the trade in buffalo meat, which is imported solely by a government enterprise from India for sale, including sale for domestic consumption. This product competes with the fresh beef product, which risks distorting the market and confusing consumers.



Delegation with Mr Hasan (far left) and embassy staff

- 4.29 The delegation was very pleased to also have a tour of the feedlot. Mr Hasan explained that research shows that the beef business has an important multiplier effect in economic growth, touching on over 120 local sectors. The delegation was able to see the cattle and their feed. All the feed is made in Indonesia and incorporates local waste products such as bran from flour mills, and molasses from a sugar factory.
- 4.30 The delegation then went to the next stage in the beef supply—a slaughterhouse. This business starts operating at 9pm and then works for a

few hours depending on the quantity of cattle. Each animal is processed within twenty minutes, then sent flat (not hanging) in a truck to the market. As with the markets, there is no refrigeration in this process.

Bogasari Flour Mill

- 4.31 Another importer of Australian product is Indofood's Bogasari Division, which mills flour and manufactures flour based and related products. Indofood is a large Indonesian company involved of all stages of food production; from producing raw materials, processing, manufacturing, packaging and distribution.
- 4.32 The Bogasari Flour Mill is the largest, processing 10 500 tonnes of wheat a day. The plant is thirty hectares on land leased from the government and includes two ports; one for receiving wheat and one for exporting processed products.
- 4.33 The delegation heard that the market for wheat flour in Indonesia is 34% to large industry and 66% to small and medium enterprises such as bakeries and retailers. In 2017 Bogasari imported 45% of its wheat from Australia, and 17% from the Ukraine. Other main sources include Argentina, Canada and the USA.
- 4.34 Mr Franciscus Welirang, Director, explained the impact of government regulation on their operations. Because flour is a basic commodity, its price has an impact on food security and monetary issues such as inflation. However it is also entirely reliant on imported wheat, so is highly dependent on exchange rates. As a general rule, Bogasari supports free trade and the uninterrupted operation of the market.
- 4.35 The delegation was pleased to be able to see Bogasari in action by tasting several products for the Indonesian market including pasta, ready-made pizzas and pasta sauce. The delegation then went onto a container ship to see wheat being moved from the ship into the warehouses. It was illuminating to see firsthand the extraordinary quantity of material that is being moved.



On board the container ship: Australian embassy staff (l-r) Ms Trish Gleeson, Ms Deasy Ishak and Ms Esther Ooi with Delegation Secretary Ms Lynley Ducker and Mrs Marino

4.36 The delegation also visited Bogasari's laboratory and test kitchen. This was an excellent opportunity to view the process of determining wheat quality and its eventual use within Bogasari's product line.

New Colombo Plan Scholars

4.37 Person to person links between Australia and Indonesia are an integral part of the relationship between the two countries. An important contributor to these links in the future will be the New Colombo Plan (NCP) Scholars. The delegation met with four NCP Scholars: Ms Sophie Hewitt, Mr Murray Buchanan, Mr Patrick Stafrace and Mr Michael Anderson.

4.38 The four Scholars talked about their experiences in Jakarta, and acknowledged the cultural and social differences they faced. All four are in favour of putting themselves into an entirely Indonesian milieu, where they have worked, socialised and lived as a local. It was difficult at the start, but they are now firm advocates for Indonesia and intend to spend the rest of their careers maintaining a link with Indonesia in some way.

4.39 The Scholars discussed the highlights of their experiences; including time spent with Indonesian friends in smaller villages and towns, the general friendliness and welcoming nature of Indonesians, and the daily examples

they see of religious tolerance. Lowlights were also discussed; including the treatment of women and corruption in the workplace and the government.

- 4.40 The delegation was keen to get their view of the NCP program as a whole. Generally the Scholars were extremely positive, particularly of longer term placements, which they considered to be much more valuable than short term. They pointed out that the NCP was a good beginning but that much more needed to be done to raise awareness and understanding of Asia within the student population.



New Colombo Plan Scholars in front of artwork by Yayoi Kusama at MACAN Mseum

- 4.41 The Scholars thought that there could be more diversity in the NCP Scholars, with students from regional universities being underrepresented. It may be that more can be done to raise awareness of the program, and the value that studying in Asia can provide to a student and his or her career. It might be useful to expand the NCP concept to internships with companies or much longer term programs; even up to five years.

MACAN Museum and Gallery

- 4.42 The delegation and the NCP Scholars were given a tour of the Museum of Modern and Contemporary Art in Nusantara (Museum MACAN). MACAN is the first institution of its kind in Indonesia, providing public access to a collection of modern and contemporary art from Indonesia and around the world. The Museum has exhibitions and events in a 4 000 square metre facility, including onsite education and conservation spaces.
- 4.43 The current exhibition—'Life is the Heart of a Rainbow'—is a major survey of the works of Japanese artist Yayoi Kusama. It was organised in collaboration with the National Gallery Singapore and the Queensland Art Gallery.
- 4.44 Ms Fanessa Adikoesoemo showed the delegation around the exhibition, and explained the importance of showing modern art in Jakarta. Prior to this museum opening there was very little opportunity for members of the public to view modern art. As well as providing education to the public, the Museum's mission also includes providing a platform for local and international artists to present their work to a global audience.
- 4.45 Ms Adikosoemo is the Chair of the Macan Foundation and daughter of the Museum's founder Haryanto Adikoesoemo. Mr Adikoesoemo had been collecting modern art for 25 years before founding the museum and gallery, and developed one of the most significant collections of modern and contemporary art in Indonesia.

Mr Michael Danby MP

Mrs Nola Marino MP

Deputy Chair

15 October 2018

A. Delegation program

INDIA

WEDNESDAY 1 AUGUST

- Travel from Australia to New Delhi

THURSDAY 2 AUGUST

- Breakfast briefing hosted by Acting High Commissioner Rod Hilton
- Think tank roundtable on trade and investment
- Tour of food retail outlets in India, Yashwant Place & Chanakya Mall
- Observe Lok Sabha parliament in session
- Meeting with Standing Committee on External Affairs
- Meeting with Standing Committee on Commerce
- US Embassy Independence Day Reception

FRIDAY 3 AUGUST

- Meeting with Mr Upendra Tripathy, Director General of the International Solar Alliance (ISA)
- Tour of ISA headquarters and campus, and lunch with the staff of ISA
- Visit to CQUniversity office
- Meeting with Minister of State for Commerce and Industry, Mr C R Chaudhary
- Roundtable with New Colombo Plan and Australia-India Youth Forum Students
- Dinner hosted by the Acting High Commissioner Rod Hilton

SUNDAY 5 AUGUST

- Breakfast briefing from Ms Tania Gerlach, Chief Migration Officer

- Tour of exhibition Indigenous Australia: Masterworks from the National Gallery of Australia with Mr Adwaita Gadanayak, Director General of the National Gallery of Modern Art
- Travel by air from New Delhi to Mumbai
- Dinner with Consul General Tony Huber, Senior Trade and Investment Commissioner John Madew, and Consul Wes Knight

MONDAY 6 AUGUST

- Breakfast with Australian State Trade and Investment Office Representatives
- Meeting with Macquarie Group
- Meeting with Mr C Vidu Sagar Rao, the Hon Governor of Maharashtra
- Lunch with representatives of Australian Financial Services
- Visit IIT-Bombay Monash Research Facility
- Dinner with Australian business representatives

TUESDAY 7 AUGUST

- Travel from Mumbai to Jakarta via Singapore

INDONESIA

WEDNESDAY 8 AUGUST

- Breakfast briefing attended by Ambassador Gary Quinlan AO, Ambassador Jane Duke (Head of ASEAN Mission) and embassy staff
- Tour of new Australian Embassy buildings
- Meeting with HE Mr Thomas Lembong, Head of Investment Coordinating Board of the Republic of Indonesia (BKPM)
- Australian Business Luncheon, hosted by Austrade
- Visit to TelkomTelstra
- Dinner with Indonesian business people and economic commentators, hosted by Mr Allaster Cox, Deputy Ambassador

THURSDAY 9 AUGUST

- Fresh Market PIK walkthrough
- Site visit and meeting with PT TUM Feedlot
- Visit to Bogasari Flour Mill

FRIDAY 10 AUGUST

- Meeting with New Colombo Plan scholars studying in Indonesia
- Tour of Macan Museum and Gallery
- Depart for airport and travel back to Australia

SATURDAY 11 AUGUST

- Arrival back in Australia