

**Joint Standing Committee on Trade and Investment Growth
— Australia's Trade and Investment Relationship with
Indonesia**

Submission from the South Australian Government

February 2017

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The South Australian Context

South Australia – South East Asia Engagement Strategy

In March 2015 the Premier of South Australia, the Hon Jay Weatherill MP, launched the South Australia – South East Asia Engagement Strategy (the strategy). A copy of the strategy can be found at <http://www.statedevelopment.sa.gov.au/investment/south-east-asia-engagement-strategy>. The development of the whole-of-state engagement strategy for South East Asia began with the release of the *South Australia South East Asia Directions Paper* in 2014. The resultant strategy is based on further significant stakeholder engagement and responses to that paper and further consultation and analysis in South Australia and South East Asia.

South Australia and the member countries of the South East Asia region have a strong relationship across multiple sectors. South Australia's goal for closer engagement with South East Asia is to build resilient, mutually beneficial partnerships that go beyond the mere commercial yet provide a sound foundation for commercial collaboration. By pursuing and consolidating relationships through government diplomacy, business, academia, the media, tourism, research and capacity development, volunteering, arts and culture and sporting activities, South Australia is signaling its capacity to be a trustworthy and committed partner in the future growth and development of the region.¹

Indonesia is a key market for South Australia under the strategy. It is the fourth most populous country in the world, with 258 million people; and has been experiencing impressive economic growth, with the IMF's latest World Economic Outlook expecting this to continue until at least 2021. It is also ASEAN's largest economy, with the largest population comprising 40% of regional population with its middle class expected to double in number to 141 million people over the 2014-2020 period.

The Opportunity

Since its economic and political crisis at the end of the 1990s, the Indonesian economy has been moving from an agricultural to a mixed economic base, with increased economic activity in the manufacturing and service industries. Indonesia is a major global commodity producer being the world's largest producer and exporter of palm oil, and second largest producer of cocoa, tin and natural rubber. It provides 12 per cent of the world's nickel reserves and ranks seventh in the world's reserves of bauxite. It is also a large producer of steel, copper and fisheries.²

Indonesia is forecast to emerge as one of the top 10 global economies between 2025 and 2030 by most transnational economics agencies.³ The Indonesian Government economic master

¹ South Australia-South East Asia Engagement Strategy 2015, Executive Summary, Pg 6

² Allens Legal Guide to Investment in Indonesia – July 2014, <https://www.allens.com.au/pubs/pdf/Investing-in-Indonesia.pdf>

³ These agencies include; WTO, ADB, World Bank, IMF, McKinsey Institute, Boston Consulting, Oxford Consulting Group

plan (MP3EI) seeks to transform Indonesia into a developed country, which involves developing the regional economic potential of six key economic corridors – (Sumatra, Java, Kalimantan, Sulawesi, Bali – Nusa Tenggara and Papua – Maluku Islands), strengthening national connectivity locally and globally, and strengthening human resources capability, science and technology.

Indonesia is focusing on developing eight key programs to reach its target by 2025 including agriculture, mining, energy, industrial, marine, tourism, telecommunication and the development of strategic areas. Following the issue of the MP3EI, the Indonesian Government has implemented, and continues to amend, key legislation with a view to attracting more local and foreign investment in these areas.⁴

All this will flow through to improved living standards and an increased ability to purchase higher value Australian and South Australian goods and services in the future. There are clearly, in the longer term, enormous opportunities to expand the trade and investment relationship to the benefit of both countries.

The Challenge

The current challenge for Australia, and South Australia, is not so much a short term pursuit of increasing existing trade as it is of positioning itself for these longer term opportunities – building and strengthening the relationships, networks and knowledge of Indonesia that will be needed to capitalise on them; and working with Indonesia assist its economic development process in ways that will facilitate trade and investment. It will require a broader focus than simply trade and investment per se: cooperation, partnerships, and building trust and confidence across the board to underpin the trade and investment relationship.

Current Trading Relationship

South Australia's current goods exports to, and imports from, Indonesia are tabulated overleaf. In the most recent year, 2015/16, exports totaled \$376 million, or 6.8% of the national total of \$5.5 billion. This makes Indonesia the State's eighth largest export market (it is Australia's tenth). South Australia accounted for 9.5% of all Australian merchandise exports to Indonesia between 2011-12 and 2015-16 (\$25.037b). By comparison, South Australia accounted for 4.4% of all Australian merchandise exports over the same period.

The time series overleaf shows significant swings in South Australian exports to Indonesia over the last eight years, from a low of \$132 million in 2009/10 to a high of \$603 million in 2011/12. The reason for this is that they are made up mostly of wheat (between 68% and 78% of the total every year for the past five years), with another 15% on average being base metals (primarily copper).

⁴ <http://www.indonesia-investments.com/projects/government-development-plans/masterplan-for-acceleration-and-expansion-of-indonesias-economic-development-mp3ei/item306>.

The State's exports to Indonesia, dominated by a small number of commodities, are vulnerable to global price fluctuations, growing season conditions, and Indonesian purchasing policies, with little opportunity to add value in the State. A prime reason for the decline in exports, shown in the time series analysis, is lower wheat shipments and weaker mineral prices following the end of the mining boom.

Few current exports to Indonesia are in the higher-value added sectors which are the focus of the State's international engagement strategies and export promotion activities.

Services export data are not available at a by-State-by-market level from the Australian Bureau of Statistics. However, 70% of services export income in South Australia is derived from international education and tourism. Indonesian tourists account for only 1.9% of South Australian international tourist numbers, and Indonesian students account for only 1.54% of South Australian commencements, so it is unlikely that the value of services exports to Indonesia is currently substantial.

South Australia: Export Destinations 2015/16

Rank	Country Name	Export Value	Percentage
1	China	2,303,853,799	19.81%
2	United States of America	1,636,340,844	14.07%
3	Malaysia	803,328,356	6.91%
4	India	553,863,589	4.76%
5	Japan	533,243,760	4.59%
6	New Zealand	445,307,968	3.83%
7	United Kingdom	399,944,759	3.44%
8	Indonesia	376,170,495	3.23%
9	Canada	375,052,103	3.23%
10	Viet Nam	346,978,570	2.98%
11	Taiwan	324,957,741	2.79%
12	South Korea	260,346,938	2.24%
13	Saudi Arabia	251,404,080	2.16%
14	Thailand	242,556,776	2.09%
15	Hong Kong	236,297,115	2.03%
16	United Arab Emirates	187,637,711	1.61%
17	France	185,333,493	1.59%
18	Singapore	158,578,019	1.36%
19	Bangladesh	144,299,134	1.24%
20	Papua New Guinea	131,254,100	1.13%

South Australia: Exports to Indonesia 2015/16: Main Items

1	10019930 - Wheat and meslin, in bulk (excl. seed. durum wheat. and wheat and meslin in bags or containers)	257,267,703
2	74031100 - Unwrought refined copper cathodes and sections of cathodes	36,433,688
3	94060040 - Prefabricated buildings (excl. those of aluminium or of iron or steel)	16,909,192
4	84749000 - Parts of the machinery of 8474	10,655,218
5	84798990 - Machines and mechanical appliances having individual functions, not specified or included elsewhere in chapter 84	7,533,719
6	47071000 - Recovered (waste and scrap), unbleached, kraft paper or paperboard or corrugated paper or paperboard	3,914,956
7	78011000 - Unwrought refined lead	3,629,330
8	72071100 - Semi-finished products of iron or non-alloy steel of rectangular (incl. square) cross-section, the width measuring less than twice the thickness, containing by weight less than 0.25% of carbon	3,139,077
9	07135020 - Dried, shelled broad beans (<i>vicia faba</i> var. major) and horse beans (<i>vicia faba</i> var. equina and <i>vicia faba</i> var. minor), not for cultivation, whether or not skinned or split	2,523,843
10	76020090 - Aluminium waste and scrap (excl. beverage cans)	2,115,317

South Australia: Import Sources: 2015/16

Country Name	Import Value	percentage
China	1,640,820,694	19.59%
United States of America	734,425,411	8.77%
Thailand	687,554,309	8.21%
Japan	626,273,998	7.48%
India	516,280,403	6.17%
South Korea	465,699,794	5.56%
Singapore	419,368,552	5.01%
Mexico	296,652,686	3.54%
Germany	264,405,905	3.16%
Malaysia	245,463,763	2.93%
United Kingdom	207,345,802	2.48%
New Zealand	204,122,115	2.44%
France	202,131,892	2.41%
Italy	186,706,995	2.23%
Denmark	161,139,452	1.92%
Taiwan	115,124,223	1.37%
Indonesia	106,481,269	1.27%
Netherlands	91,213,598	1.09%
Canada	89,772,278	1.07%
Viet Nam	81,234,013	0.97%

South Australia: Imports from Indonesia 2015/16: Main Items

1	1804000005 - Cocoa butter, fat and oil	11,329,385
2	4823690028 - Trays, dishes, plates, cups and the like, of paper or paperboard (excl. paper or paperboard of bamboo)	9,148,764
3	9988888899 - Combined confidential items: from jul 91 on, excl hs ch 29 codes confidentialised with broad commodity details restrictions, likewise ch 28 bcds, excepting that these ceased after dec 94	8,328,124
4	1803100003 - Cocoa paste, not defatted	6,123,554
5	4409290017 - Non-coniferous wood, continuously shaped (tongued, grooved, rebated, chamfered, v-jointed, beaded, moulded, rounded) along any edge, end or face, whether or not planed, sanded or end-jointed (excl. ba	5,081,661
6	3906900009 - Acrylic polymers, in primary forms (excl. poly(methyl methacrylate); and acrylic polymers in the form of emulsions, flocculating agents, powders, granules or flakes)	4,906,621
7	4819400012 - Sacks and bags (incl. cones) of paper, paperboard, cellulose wadding or webs of cellulose fibres (excl. those having a base of a width of 40 cm or more)	3,246,171
8	8474900028 - Parts of the machinery of 8474	3,060,182
9	4011100098 - New pneumatic high performance rubber tyres (i.e. with aspect ratio not greater than 55), of a kind used on motor cars (incl. station wagons and racing cars)	2,303,396
10	4011100005 - New pneumatic radial ply rubber tyres (excl. high performance tyres (i.e. with aspect ratio not greater than 55)), of a kind used on motor cars (incl. station wagons and racing cars)	2,296,291

South Australia: Exports/Imports Indonesia: Time Series Totals

Period	Export Value	% Change	Import Value	% Change
2008/2009	149,737,679	0	118,935,007	0
2009/2010	131,608,099	-12.11	108,982,446	-8.37
2010/2011	543,109,017	312.67	122,179,882	12.11
2011/2012	603,235,848	11.07	119,708,399	-2.02
2012/2013	501,147,629	-16.92	99,820,756	-16.61
2013/2014	432,663,321	-13.67	96,530,913	-3.3
2014/2015	472,845,152	9.29	122,366,814	26.76
2015/2016	376,170,495	-20.45	106,481,269	-12.98

The South Australian Perspective

Trade

Indonesia is a key member of ASEAN and is bound by the ASEAN – Australia and New Zealand Free Trade Agreement (AANZFTA) which allows preferential trade for Australian companies. It is very supportive of ASEAN, and committed to regional economic integration through the ASEAN process. One consequence is that – in contrast to Australia which has chosen to pursue trade liberalisation objectives through a series of Free Trade Agreements with all its main trading partners – most of Indonesia's FTAs have been negotiated through ASEAN. In focusing on increasing trade and investment ties with Indonesia, this wider regional dimension is important.

South Australia is therefore fully supportive of the Regional Comprehensive Economic Partnership (RCEP) negotiations for a regional free trade area, to include the ten ASEAN member states and those countries which have existing FTAs with ASEAN, and looks forward to their completion as soon as possible. South Australia also strongly supported the negotiation of the Trans Pacific Partnership (TPP). While there may be some current doubts about the prospects for ratification and coming into force of the TPP in the short term, South Australia remains of the belief that it has enormous trade and investment-creating potential, and that, in this context, Australia should encourage and support tentative Indonesian interest in eventually joining it.

These regional approaches are particularly useful in harmonising policies that affect the effectiveness and development of global value chains – customs procedures, rules of origin, local content definitions, etc.

At the same time, of course, there are many issues in the economic relationship between Australia and Indonesia which are inherently bilateral in nature. South Australia is therefore fully supportive also of the negotiations towards a bilateral Comprehensive Economic Partnership (IA-CEPA) which were reactivated in March 2016. South Australia believes that IA-CEPA should:

- Address identified impediments to bilateral trade, particularly those which impose costs on exporters and consumers, or detrimentally affect competitiveness.
- Include also behind the border barriers which affect in particular services trade. The Productivity Commission recently identified Indonesia as one of the three most restricted markets to Australia's services exports in the world. Harmonisation of standards and mutual recognition of qualifications are examples of areas that might be addressed.
- Address identified impediments to increasing Australian investment in Indonesia and Indonesian investment in Australia.
- Contain an effective dispute resolution mechanism that does not require disruption of trade. Building trust and confidence between Australian and Indonesian companies would be greatly enhanced by such a mechanism.

- Contain appropriate measures to encourage the movement of people. One of the Inquiry's terms of reference is "the contribution of diaspora communities to Australia's relationships with Indonesia". But Indonesia is a very small source of migrants, especially in South Australia – only 41 settler arrivals in the most recent year (2014/15) and no business migrants at all in the past 10 years. Development of mechanisms to facilitate both seasonal labour migration (South Australia has labour shortages in its important horticultural sector, in particular), and skilled and business migration should be encouraged. Two way internship programs – involving businesses and government – would also assist.
- Leverage the \$365 million annual Australian development assistance program to Indonesia to facilitate trade and investment opportunities. Assistance can generally promote good governance and regulatory transparency, building institutional capacity to host trade and investment and create pathways for value chains.
- South Australia has been concerned for some time that, since the issue of the Commonwealth Government's White Paper on Northern Australia in 2015, there has been a tendency by the Commonwealth to include what are effectively discriminatory measures in some of its trade and investment policies. There is for example a concession for Working Holiday Maker visa holders (an important source of labour particularly in horticultural industries in South Australia as in other States) working in Northern Australia not available to southern States. The Australia-Singapore Comprehensive Strategic Partnership concluded in May 2015 contains a provision for a Singapore-Northern Australia Agribusiness Development Partnership. Any IA-CEPA should not include such provisions which discriminate between State and Territory jurisdictions in regard to potential benefits

South Australia has through firms like Coffey, Scope Global and AECOM particular strengths in the area of leveraging Australian development assistance programs. It also hosts the Australian Trade and Development Business Network (ATAB) which seeks to expand an innovative business network of companies and organisations in South Australia committed to development services exports and best practice in contributing to international trade, sustainable development and poverty reduction in developing countries.

South Australia also strongly supports the relaunching of the Indonesia-Australia Business Partnership Group (IA BPG). IA-BPG ensures the voice of industry is central to the IA-CEPA negotiations by providing a voice and platform for industry to engage properly in the process.

Investment

The Indonesian government produces a Negative Investment List (DNI) approximately every three years. This list details the level of investment allowable in each industry segment, by both ministry and industry segment. Some business types are prohibited from international investment, while others have mandatory joint investment levels, which stipulate a foreign investment cannot exceed 30%, 40%, 95%, etc. BKPM is the ministry responsible for managing this list and in effect acts in the same manner as the Foreign Investment Review Board in

Australia, except that it reviews the investment intentions of all foreign companies seeking to enter the Indonesia market, regardless of size, scale or scope of operations.

Australian (and South Australian) companies seeking to enter the Indonesian market, and establish a subsidiary operation are required to become a registered PT company. The process of developing a PT registered company in Indonesia involves liaison with BKPM detailing the business sector in which the PT company will operate, services provided, level of investment, number of Indonesian employees, location of office, and identification of directors of the PT company (which may include Indonesian and non-Indonesian directors). There will also be a requirement to detail the level of foreign ownership in the proposed PT company. BKPM will then liaise with the appropriate Ministry, in conjunction with the Government approved DNI. Once approval is gained the company can commence the process of meeting the requirements of the approval, and participating in the Indonesian market.

This process can be elongated, and complications can arise should there be a misalignment in the needs of the foreign investor and the requirements of the Indonesian government. These complications are one of the leading causes of delays in establishing a new business in Indonesia according to the World Bank.

Food and Agribusiness

There is enormous potential in this sector for Australian and South Australian exporters to Indonesia, as we move to adding more value to commodity agricultural produce domestically, and Indonesian consumers become richer. The two economies in this sector have complementarities which can be built on, to develop a collaborative, value-chain approach to two way trade and investment, value adding, and supply to third country markets.

However there are some real problems in Indonesia's current policies and legislation which are inhibiting this. In the last few years there have been industry laws passed aiming at supporting domestic industries and their development, enhancing the Government's broad powers to oversee trade, including the ability to limit exports and imports to protect domestic interests. An explicit objective of self-sufficiency and food security in key agricultural products lies behind this.

Food imports face a number of regulations in Indonesia and importers must obtain a number of approvals and documents from various government departments before importing specific food products. There are import licensing regimes, as well as a reference prices system which enables the Government to prevent imports when domestic prices fall below a set target price, which apply to a range of horticultural and meat products. The implementation of such regulations is often quite untransparent.

All imported processed foods sold at a retail level, by law must be registered with a 'ML' number issued from Indonesia's food and safety authority (BPOM). This can be a time consuming and costly exercise.

These sorts of measures should be a priority for addressing by Australian negotiators in taking the IA-CEPA forward.

The Role of Government

Identifying and Targeting Best Opportunities

South Australia is focused on the higher value added sectors, given that higher export unit values and employment outcomes can be achieved; and recommends the Federal Government, through Austrade, should follow a similar route. Relevant sectors include;

- Agri-Business
- Food and Beverages
- Processed Beef
- High value services like Education, Tourism and Engineering (for its mining sector)
- Advanced Manufacturing

The commodity trade (wheat, copper and base metals) and export of live animals (cattle) largely looks after itself unless market access issues arise as was the case with live cattle a few years ago, and when it does government intervention (DFAT) is swiftly required to rectify. Therefore the role for the Federal government is to;

- continue to focus on high-value trade promotion
- press for better access to markets in current FTA negotiations with Indonesia and
- prevent disputes from escalating (as was the case with live cattle).

Removing Barriers and Impediments

The ripple effects of the 2011 ban on Australian live cattle exports to Indonesia are still being felt across the beef industry and the Federal Government needs to press further with initiatives to bring the trading relationship in cattle back into balance. This will benefit Australia's exporters of live cattle.

Enhanced access arrangements for citrus exports to Indonesia should also be sought by DFAT and Australian negotiators – especially in the current ongoing bilateral FTA negotiations with Indonesia. At present, citrus access is governed by Indonesia issuing import quotas for 2 periods, January to June and July to December. In 2016, the citrus market was closed to all imports apart from lemons from July to September after the Indonesian government issued no quotas for this period. At best, guaranteed access arrangements for quota entry should be sought, ideally on a country-share basis so that suppliers have greater certainty of access. An alternative access arrangement could also be to tariffify these quotas at levels lower than those negotiated in the WTO.

Citrus Australia regards the Indonesian market as the most distorted market in the world for Australian citrus exports, and the Meat Industry Council has expressed concern about constraints on imports of some beef products in favour of the live cattle trade.

Recognising and Responding Appropriately to Emerging Trends

Indonesia has been experiencing impressive growth in real GDP since the Asian financial crisis, and in its latest World Economic Outlook the International Monetary Fund is forecasting this to continue through to at least 2021.

Continued strong economic growth in Indonesia can be expected to flow through to improved living standards, and increased ability to purchase Australian goods and services in the future, which would increase the demand for income sensitive goods and services that South Australia produces (high-value foods, beef, advanced manufactures, education and tourism). Examples include;

- Indonesian consumers are looking for premium, clean and green food and beverages that South Australia is renowned for.
- Indonesians want quality education for their children. As the third largest global provider of education services, Australia's reputation for providing these services is proven.⁵ South Australia is home to internationally-recognised Australian universities, campuses of foreign universities, other higher education institutions, vocational education and training institutions, private colleges and primary and secondary schools.
- Australian healthcare providers can help Indonesia develop world-class healthcare services.⁶ Through Health Industries South Australia, a Government Agency acting as a single point of contact South Australia is ideally situated to assist in this development as Indonesia continues to transition to a developed nation.

Notwithstanding this, the process could take a few years and there may not be much scope to significantly expand Australia's exports to Indonesia into higher value added sectors in the short term.

Accordingly, Australia should focus its efforts on building the relationships, networks, and people-to-people linkages to ensure it is well placed to maximise the trade and investment opportunities as Indonesian living standards increase. We would recommend this focus is at the forefront of our negotiating stance with IA-CEPA. Complementarities between Australia and Indonesia as our near neighbour are well documented. Recognising that and respecting the need to work on the foundations with a more medium focus on tangible outcomes provides a solid base for extracting strong value from the relationship. Australia has many competitors looking to serve the growing trade and investment needs of Indonesia.

⁵ Ministerial statement from Hon Steven Ciobo MP, Minister for Trade, Tourism and Investment dated 17 March 2016,

⁶ Ministerial statement from Hon Steven Ciobo MP, Minister for Trade, Tourism and Investment dated 17 March 2016,

What has South Australia Done

The development of and subsequent implementation of the South Australia-South East Asia strategy has been the foundation of a renewed and strengthened state effort in social, cultural and economic (trade and investment) engagement with Indonesia. Within the strategy South Australia seeks business and institutional involvement in;

- Food security initiatives
- Infrastructure development
- Regional aviation
- Health technology and services
- Education and skill development
- Advanced manufacturing

Particular areas of early focus are in the Agriculture and Education sectors.

South Australia has sought to do this by, among other things;

- Reinvigorating its sister-state/sister-province relationship with West Java. A quick overview of West Java and our rationale for targeting West Java is given below. This relationship provides a structured framework for the Government of South Australia and Provincial Government of West Java to collaborate on areas of mutual interest, and provides a platform to facilitate commercial opportunities on behalf of South Australian and West Javanese businesses.
- Promoting and running annual inbound and outbound Ministerial led Trade and Investment missions to Indonesia. Businesses taken are from target sectors with the pre mission work including planning a program aligned to the areas of interest to the business/individual and a pre departure Business Education Program to prepare the delegation for optimising outcomes from the program. West Java is a particular but not exclusive focus for these missions.

West Java is a province of Indonesia. It is located in the western part of the island of Java. Its capital is Bandung. West Java is the province that surrounds the city of Jakarta and is a key economic support region. Major industry sectors and key trends so a strong complementarity with South Australia and include;

- *Agriculture.* 60% of the Indonesian population live in an area where agriculture or forestry dominates production and gross national product contribution. This is due to high quality volcanic soils in the region. One of Indonesia's largest production centres for Potatoes is in West Java and as such there is a demand for imported Australian seed potato. West Java has large abattoir facilities meeting the meat needs of the emerging middle class. It is also location of large-scale dairy production demonstration projects. The government has is seeking dairy technology and joint venture partners to grow internal market capacity.

- *Food and Wine.* Wine consumption in Indonesia has increased by 25% annually over the last 10 years. The Government has adjusted tariffs and taxes on alcoholic beverages, as well as raised the level of import quotas and added a number of licensed importers.
- *Tourism.* According to the Central Statistics Agency (BPS), West Java is the second most popular tourist destination in Indonesia after Bali.
- *General Manufacturing.* Around 80% of Indonesia's manufacturing establishments are based in West Java.
- *Mining.* In 2009 the Indonesian Parliament passed a new Mining Law (Law No 4 of 2009 on Mineral and Coal Mining) to stimulate development of the domestic mineral processing industry and to increase foreign investment in the mining sector.
- *Defence.* Bandung is the home of the defence industry in Indonesia, with PT Pindad the large SOE special vehicle manufacturer, and PT Dirgantara the Aerospace Manufacturer.
- *Automotive.* In 2014 Indonesia surpassed Thailand as South East Asia's largest manufacturing centre for automotive vehicles.

Key industry sectors of West Java that have shown strong growth during 2015 include agriculture, wholesale and retail trade, automotive, transportation and warehousing.⁷

These types of activities should not be undertaken with the expectation of significant short- or medium-term trade or investment benefits. Rather, they should be done on the basis that they will assist to build relationships now that will be useful in maximising trade and investment outcomes once the Indonesian economy has developed further. In other words, these initiatives should be seen as longer term investments, and the Federal government should also treat similar activities in a like fashion.

Conclusion

Indonesia, as a close foreign neighbour, represents the largest and fastest growing market in South East Asia and an outstanding market diversification and expansion opportunity for South Australia. It is the largest South East Asian market and has advantages for South Australia of proximity, compatible time zone, lower costs (freight, travel & logistics) mutual regional interests (free trade) and trade/investment synergies in important industries such as agribusiness, food and automotive manufacturing, mining, infrastructure, tourism and education. It represents a critical market for South Australia under its International Engagement agenda.

Due to its size and large geographical spread, Indonesian export strategies need to be focused and based around demand and competitive advantage. The West Java Province (incorporating Jakarta) represents the most attractive sub-market in terms of the priority industries identified for South Australia.

Indonesia has climbed 15 places to the 91st ranking on the World Bank's latest ease-of-doing-business index. Indonesia is keen to make more progress in various economic sectors and is

⁷ Bank of Indonesia, "Regional Economic and Financial Assessment – West Java Province", April 2015.

targeting to get to 40th position by 2019. The Indonesian branch of US-based Citibank projects a 5.3% economic growth for Indonesia in 2017. The country aims to finalize five trade deals in 2017. It is prioritizing the conclusion of these five trade deals to open access to foreign markets and lure inflows of investment. The biggest one is the intensively discussed Regional Comprehensive Economic Agreement (RCEP), which will create a market of 3.4 billion people involving ASEAN and its six major trading partners – Australia, China, India, Japan, New Zealand and South Korea. The rest are two comprehensive economic partnership agreements (CEPA) with the European Free Trade Association (EFTA) and Australia and two free trade agreements (FTA) with Peru and Chile.